

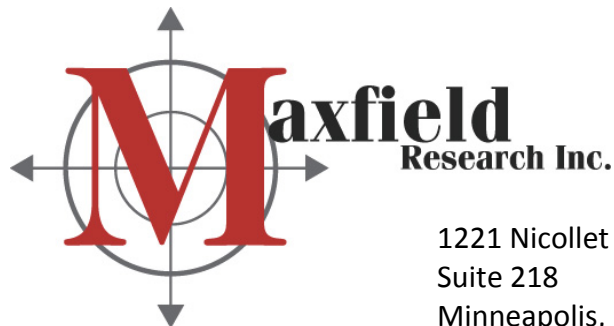
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# Market Potential Analysis of The Gladstone Area in Maplewood, Minnesota

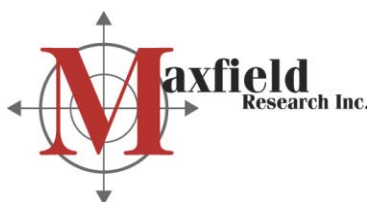
*Prepared for:*

**City of Maplewood**  
Maplewood, MN

**November 2012**



1221 Nicollet Mall  
Suite 218  
Minneapolis, MN 55403  
612.338.0012



November 19, 2012

Mr. Michael Martin  
City of Maplewood  
1830 County Road B East  
Maplewood, MN 55109

Dear Mr. Martin:

Attached is the analysis *A Market Potential Analysis of the Gladstone Area in Maplewood, MN*. The study examines the market potential analysis of the Gladstone Area near the intersection of Frost Avenue and English Street in Maplewood, Minnesota. Specifically, the potential to re-develop the Site with housing, retail, and office over the next 20 years is examined.

Based on our analysis, we recommend redeveloping the majority of the site with housing including townhomes, apartments, condominiums and senior housing. The potential demand for retail and office are limited, but is best suited surrounding the Maplewood Lanes Bowling Alley.

Detailed findings and recommendations can be found in the *Conclusions and Recommendations* section of the report. We have enjoyed performing this study and are available if you need additional information.

Sincerely,

MAXFIELD RESEARCH INC.

Mary C. Bujold  
President

Amanda Janzen  
Research Analyst

Attachment

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## Study Impetus

Maxfield Research Inc. was engaged by the City of Maplewood to assess the redevelopment potential for the Gladstone Redevelopment area in Maplewood, Minnesota. A previous study was conducted in 2003. The Gladstone Redevelopment Area is generally described as the area surrounding Frost Avenue from Highway 61 to Hazelwood Street. This study focuses on the redevelopment potential at the intersection of English Street and Frost Avenue.

The objective of the analysis is to project the amount of development supportable, including housing, retail and office. The analysis recommends a mix of uses, including information on appropriate market positioning to increase potential absorption.

## Scope of Services

The scope of this study includes an evaluation of the Gladstone Area to determine its appeal for the various land uses, examination of demographic growth trends in the primary draw area for commercial uses and housing, and collection and analysis of competitive market data in the draw area. Based on our analysis, we assess the market potential for the various land uses in the Gladstone Area and provide conclusions on the amount of development supportable, market positioning, development timing, and absorption.

This study includes both primary and secondary research. Primary research includes interviews with property managers, commercial and residential brokers, and community development staff. Secondary research is credited to the source when used and, upon careful review of other factors that may impact projections, is used as a basis for analysis. Secondary sources of data include:

- ▶ U.S. Census Bureau,
- ▶ Metropolitan Council,
- ▶ ESRI,
- ▶ Minnesota Department of Employment and Economic Development,
- ▶ Minnesota Department of Revenue: Tax Research Division,
- ▶ Minnesota Shopping Center Association, and
- ▶ Minnesota Commercial Association of Realtors.



## Maplewood Characteristics

The City of Maplewood covers approximately 18 square miles located on the eastern border of Ramsey County. Maplewood is bordered by St. Paul to the south and east, North St. Paul and Oakdale to the east, Little Canada to the west, and Vadnais Heights and White Bear Lake to the north.

Map 1 below shows Maplewood and the Gladstone Area's positioning in the eastern Metro. The Gladstone Area is about three miles from I-694 and two miles from I-35E. It is also about four miles from Downtown St. Paul.

**Map 1**  
**Maplewood Area**





## Site Location and Characteristics

The Gladstone Area is generally described as the area surrounding Frost Avenue from Highway 61 to Hazelwood Street. This study focuses on the redevelopment potential at the intersection of English Street and Frost Avenue.

In 2007, The City hired planning consultants HKGI to develop a Master Plan for the area. Key components of the Master Plan included preserving the Savanna while improving its functionality, intensifying density around the Frost Avenue and English Street intersection with the addition of 450 to 650 new housing units and 50,000 to 75,000 square feet of retail and office space, and streetscape and street improvements to Frost Avenue and English Street. See Map 2 and Map 3 of the existing and planned land uses.

Several projects all focused on the Savanna have been completed since the City adopted the Master Plan. Improvements to the Gladstone Savanna began in 2012 with tree removal, remediation of contaminated soil, installation of stormwater management, paving of trails, and seeding temporary cover crop to convert (see Map 4). Additional improvements will continue through 2013 with the planting of native grasses and flowers and other landscaping. Future phases will include a playground with lawn area, boardwalk, arbors, additional landscaping and restoration, historical features, and site interpretation.

*Shores of Lake Phalen*, a 107-unit senior housing development opened on November 5, 2012. It is located on the former St. Paul Tourist Cabin site at the southwest corner of Frost Avenue and Shore Drive. A roundabout at Frost Avenue and Shore Drive was also installed.

The majority of the Gladstone Area has not changed since Maxfield Research Inc. conducted the previous redevelopment study in 2003. It continues to have small local retailers serving the neighborhood with some destination uses. There has been very low turnover of retail tenants for many years.

## Existing Land Uses

Map 5 shows the existing land uses in the Gladstone Area, which include:

### North of Frost Avenue, from Manton Street to English Street (east to west)

- Gladstone Education Center
- Mattress Depot
- Maplewood Bakery
- Heritage Liquor
- Maplewood Fire Station
- Bruce Vento Trail
- Permanent Skin

## **SITE LOCATION ANALYSIS**

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- API Discount Furniture
- Dale's Laundromat
- Moose Lodge 963

### South of Frost Avenue, from Manton Street to English Street (east to west)

- Philippine Center
- Mike's LP Gas
- Richard's Market
- A-1 Barber
- Legacy Funeral Home

### North of Frost Avenue, from Shore Drive to English Street (east to west)

- Maplewood Lanes
- Maplewood Wine Cellar
- The Hair Shop
- Little Maintenance, Inc.
- George's Auto Body
- Al's Auto Service
- Flicek Park

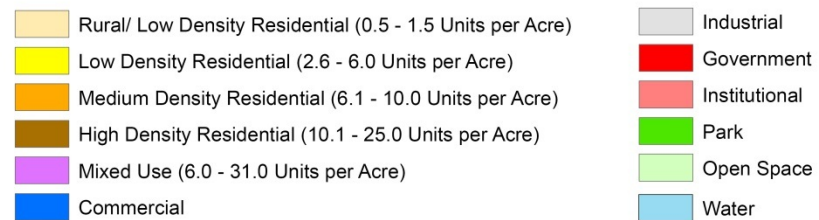
### South of Frost Avenue, from Shore Drive to English Street (east to west)

- Gladstone Savanna
- Gloster Park
- Top Line Clips
- Maplewood Marine
- Shores of Lake Phalen

**Map 2**  
**Existing Land Use Map**



Map 3  
Future Land Use Map





# Map 4 Gladstone Savanna Neighborhood Preserve Master Plan





## Map 5 Site Location Map





## Site Photos



View looking southwest into the Gladstone Savanna from the corner of Frost Avenue and English Street



View looking south of the Gladstone Savanna



Gladstone Education Center located at the corner of Frost Avenue and Manton Street



Philippine Center of Minnesota located at Frost Avenue and Ide Street



Mike's LP Gas located at Frost Avenue and Clarence Street



Richard's Market and A-1 Barber located at Frost Avenue and Clarence Street





Maplewood Bakery, Mattress Depot, and Heritage Liquor located at Frost Avenue and Clarence Street



Maplewood Fire Station located at Clarence Street and Curve Street



Dale's Laundromat, Api Discount Furniture, and Permanent Skin



View of Bruce Vento Trail west of Maplewood Fire Station



Moose Lodge 963 located at the corner of Frost Avenue and English Street



Legacy Funeral Home located at the corner of Frost Avenue and English Street





View of roundabout at Frost Avenue and English Street



Maplewood Lanes located at the corner of Frost Avenue and English Street



Maplewood Wine Cellar located at the corner of Frost Avenue and English Street



View of Gateway Trail behind Maplewood Lanes



Little Maintenance, Inc. and The Hair Shop located at Frost Avenue and Atlantic Street



George's Auto Body located at Frost Avenue and Atlantic Street





Al's Auto Service located at Frost Avenue and Atlantic Street



View of Flicek Park looking east



Boat storage behind Maplewood Marine



View of Gladstone Savanna looking east from Edward Street



Gloster Park located on Edward Street



Shores of Lake Phalen Senior Housing located at Frost Avenue and Shore Drive



View of single-family homes on Frisbie Avenue



House of Prayer located at English Street and Frisbie Avenue



View of overflow parking for Legacy Funeral Home



Maplewood Mobile Home Park located on English Street

## Access and Visibility

Convenient access and high visibility are vital to the success of retail and service businesses and also increase the potential appeal of medium- and high-density housing. The Gladstone Area has access and visibility from Frost Avenue and English Street. Highway 36 is approximately one mile north following English Street which connects to Interstate 35E and 694.

The Bruce Vento Trail is located on the Ramsey County Regional Rail Authority right-of-way and is preserved for future transit use. It is part of the Rush Line Corridor that extends from St. Paul to Hinckley. The Rush Line Corridor Task Force completed an Alternatives Analysis in 2009 that resulted in the selection of either light rail transit from the Union Depot in Downtown St. Paul to White Bear Lake along the Ramsey County Regional Rail Authority right-of-way or bus rapid transit along I-35/I-35E to Forest Lake. The Task Force is now preparing to conduct an Advanced Alternative Analysis to select the Locally Preferred Alternative from the two options. If



the light rail line is constructed, it will significantly improve the visibility and marketability of the Gladstone Area. However, planning is still very preliminary and could take 20 or more years to come to fruition.

## Traffic Volume

Traffic volume is also a measure of visibility. Table 1 shows the 2001, 2005 and 2009 estimated traffic volumes (measured in annual average daily trips) at the intersection of English Street and Frost Avenue. The historical data was collected by the Minnesota Department of Transportation. The Table shows that traffic volumes increased to the south but decreased from the north, west, and east.

Table 1								
Traffic Volume Trends								
2001, 2005, & 2009								
	Annual Average Daily Traffic (AADT)			2001 - 2005		2005 - 2009		
	Estimate	Estimate	Estimate					
	2001	2005	2009	No.	Pct.	No.	Pct.	
<b>Frost Avenue and English Street</b>								
North	6,000	5,900	5,800	-100	-1.7%	-100	-1.7%	
South	500	1,900	3,200	1,400	280.0%	1,300	68.4%	
East	6,700	6,700	6,500	0	0.0%	-200	-3.0%	
West	9,800	8,500	5,200	-1,300	-13.3%	-3,300	-38.8%	
Sources: Mn/Dot; ; Maxfield Research Inc.								

The volume of traffic in the Gladstone Area is considered light in regards to the potential to support a significant amount of retail development. To provide perspective on the volume of traffic in the Gladstone Area, Table 2 shows traffic volumes as of 2009 (the most current year available) for three other commercial retail areas. Table 2 highlights that areas with higher traffic volumes generally support a greater amount of commercial and retail uses. The three commercial areas benefit from visibility and much higher traffic volumes provided by Highway 694, White Bear Avenue, and Larpenteur Avenue.

The volumes shown on Tables 1 and 2 reflect average annual daily trips and incorporate the turning movements of vehicles at the intersection. The figures shown on the tables are individual counts for each side of the intersection and do not necessarily account for separate vehicles. A vehicle may cross the intersection or make a turn in a specific direction and may cross the intersection more than one time in a day. The counts are not intended to be aggregated but show the average level of traffic volume on a portion of the roadway.

Table 2			
2009 Traffic Volume (AADT*) Comparison			
Commercial Areas in Surrounding Area			
	Maplewood Mall	Mapleridge Center	Hillcrest Center
Side of Intersection	(White Bear Ave and County Rd D)	(White Bear Ave and Gervais Avenue)	(White Bear Ave and Larpenteur Ave)
North	25,000	23,600	22,800
South	25,500	30,500	18,800
East	5,300	9,200	9,400
West	13,000	6,200	6,400
* Annual Average Daily Trips (AADT).			
Sources: Mn/Dot; Maxfield Research Inc.			

## Appropriateness of the Subject Site for Housing, Retail, and Office

### Strengths

The Gladstone Area is abundant with natural and recreational amenities. The City started improvements to the Gladstone Savanna that will enhance the amenity and become a landmark of the area. Other recreational amenities include Bruce Vento and Gateway Trails that links St. Paul with Maplewood, North St. Paul, Oakdale and Grant and a larger trail system beyond, Keller Golf Course, Flicek Park, and Lake Phalen. It is also in close proximity to Downtown St. Paul and Stillwater.

The Gladstone Area is seen by some as the community's historic downtown. Business retention is very high and there is a very loyal customer base. Many stores are locally owned and are regional destinations.

There is new investment in housing with the construction of *Shores of Lake Phalen*, a 107-unit senior housing development. This development will attract some new residents to the Gladstone area and may become a catalyst for additional development.

The Gladstone Area has the potential to become a transit-oriented area. The Bruce Vento Trail is located on the Ramsey County Regional Rail Authority right-of-way for potential light rail use.

### Weaknesses

The Gladstone area has less traffic and visibility compared other larger retail areas in the City. Retail will likely be limited to primarily neighborhood goods and services serving the general immediate area of roughly two miles or so in distance. There are significant retail concentrations near I-694 and White Bear Avenue surrounding the Maplewood Mall.

Most of the businesses have not invested in large-scale property improvements and lack character. As a result, the area has a tired appearance. Overall, the area is not pedestrian-friendly with limited sidewalks and building placement set back from the roadways with large surface parking lots in front of the buildings.

## Market Interviews

Maxfield Research Inc. conducted interviews with area business owners, and gathered information regarding the current character and redevelopment potential for the Gladstone area. Highlights from these interviews are presented in the following bullet points.

- ▶ Many business owners have been in the area for a number of years. They maintain a customer base from their long reputation and a large draw area. Most are not specifically dependent on the immediate area for their customers.
- ▶ The overall opinion among area business owners is that the area could use some improvements to its appearance. The owner at Heritage Liquor indicated that the run down condition of the building and area is holding the store back from growing. He is the largest seller of single bottle craft beers in the State and have customers come from all over the Metro Area and even out of state. He indicated that his customers are at first skeptical about entering the store due to the appearance of the area.
- ▶ Overall, Gladstone business owners seem open to redevelopment ideas. The area has seen very little change over the years, and, as a result, a certain complacency exists among business owners. To that extent, just because the market could support some redevelopment scenarios does not mean the area business owners will support redevelopment. Business owners that accepted the principle of redevelopment during interviews may not necessarily approve of being relocated or investing in significant exterior improvements to either their buildings or the physical infrastructure.
- ▶ One owner indicated that the City has not reached out to talk about how the existing businesses can stay in the area. Many businesses cannot afford to relocate or shut down for business during construction. In addition, some may not be able to afford the rent premiums for new construction and may be forced out of the Gladstone Area. Overall, the businesses located to the east of Atlantic Street have more of a desire to stay in the area than those located to the west.
- ▶ The owner of Maplewood Marine does not see his business fitting into the redevelopment plan in the future. He very interested in selling his property and is currently in discussion with the City about selling. The automobile repair businesses are also open to selling and are waiting for someone to buy them out “for the right price.”



## Introduction

This section examines factors related to the current and future demand for owner- and renter-occupied housing in the Gladstone Area. It includes an analysis of population and household growth trends and projections, home resale trends, for-sale housing developments and existing rental properties. A review of these factors provides insight into the demand for various types of housing in Maplewood.

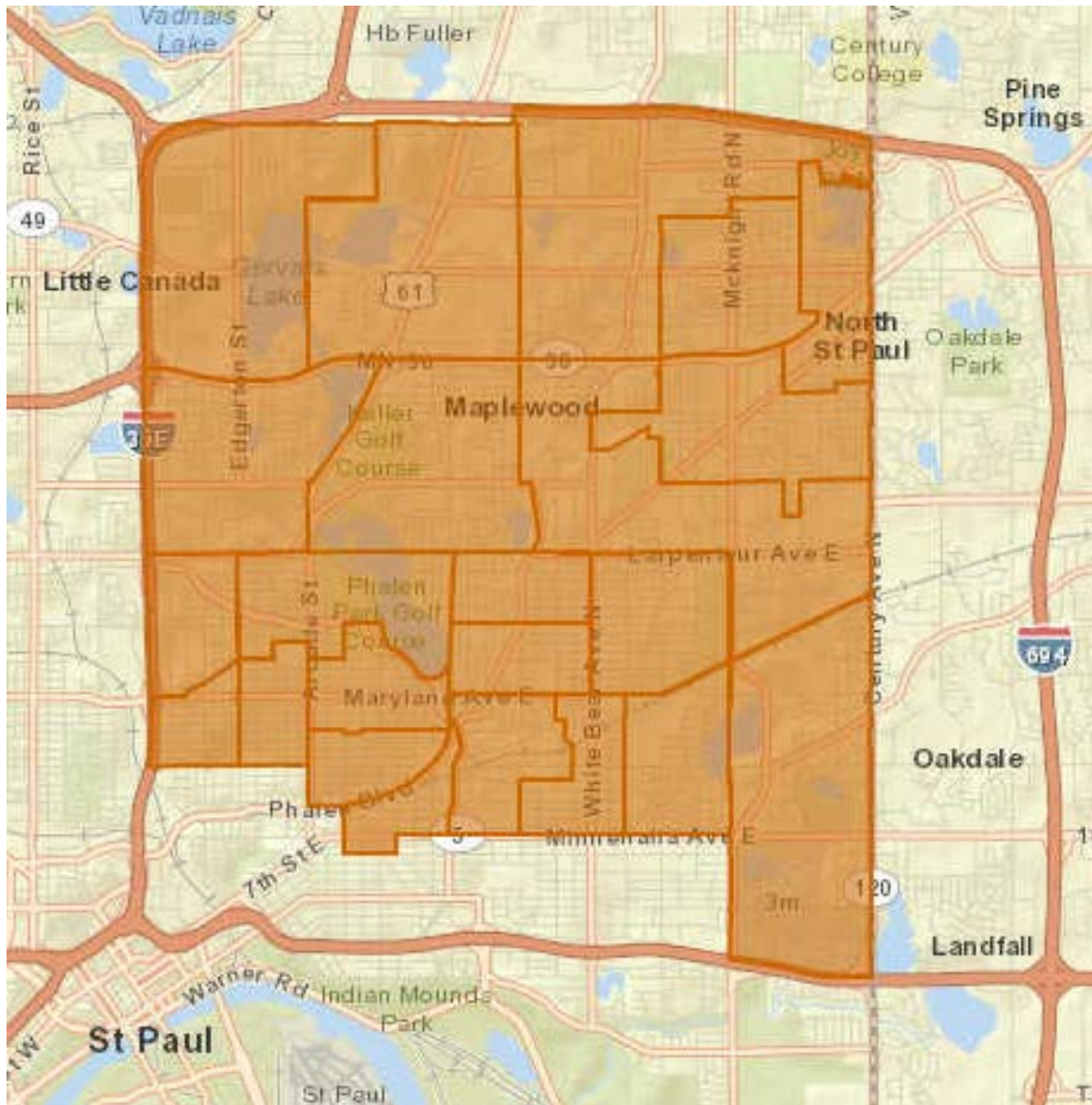
## Primary Market Area Definition

Maxfield Research Inc. determined the draw area for housing in the Gladstone Area based on geographic barriers, travel and community patterns and our knowledge of the draw area for housing. The primary draw area, or Primary Market Area (“PMA”), includes the Cities of Maplewood (excluding the leg south of I-94), Little Canada (east of I-35E), North St. Paul, and St. Paul (north of Minnehaha Avenue). More specifically, this area is composed of the following 23 census tracts:

Primary Housing Market Area					
2010 Census Tracts					
306.01	307.04	316.00	318.02	423.02	426.01
306.02	309.00	317.01	421.02	424.01	426.02
307.02	310.00	317.02	422.02	424.02	427.00
307.03	311.00	318.01	423.01	425.01	

We estimate that approximately 80% to 90% of potential residents of new housing in the Gladstone Area will cross-shop housing options in these communities. The remaining 10% to 20% of residents are projected to be drawn from outside the PMA. A map of the Primary Housing Market Area is located on the following page.

Map 6  
Primary Market Area



## Demographic Trends

The following are key points about demographic growth trends and projections in Maplewood and the PMA, as illustrated in Tables 3 through 6.

### Population and Household Growth

Table 3 presents population and household growth trends from 2000 to 2020. Figures for 2000 and 2010 are sourced from the U.S. Census Bureau. Estimates for 2012 and projections to 2020 are based on information from ESRI (national demographics service provider) and the Metropolitan Council with adjustments calculated by Maxfield Research Inc. based on recent trends. The adjustments are intended to reflect growth that will likely be realized after considering the impact of the housing market slowdown and current sluggish economy.

- ▶ As of 2010, the PMA contained 100,744 people and 36,422 households. The City of Maplewood comprised 37.7% of the total population and 40.9% of total households in the PMA. The City contains a larger proportion of households than population because the average household size in Maplewood is slightly smaller than in the remainder of the PMA.
- ▶ Between 2000 and 2010, the PMA increased 1.6% in population but decreased -0.7% in the household base. An increase in population with a decline in households can be attributed to slightly increasing household size.
- ▶ Growth is projected to continue in the PMA to 2020. Between 2010 and 2020, the PMA is projected to add 1,706 people (1.7% growth) and 878 households (2.4% growth). Since the PMA is largely built out, household growth will be contingent on infill and redevelopment opportunities.

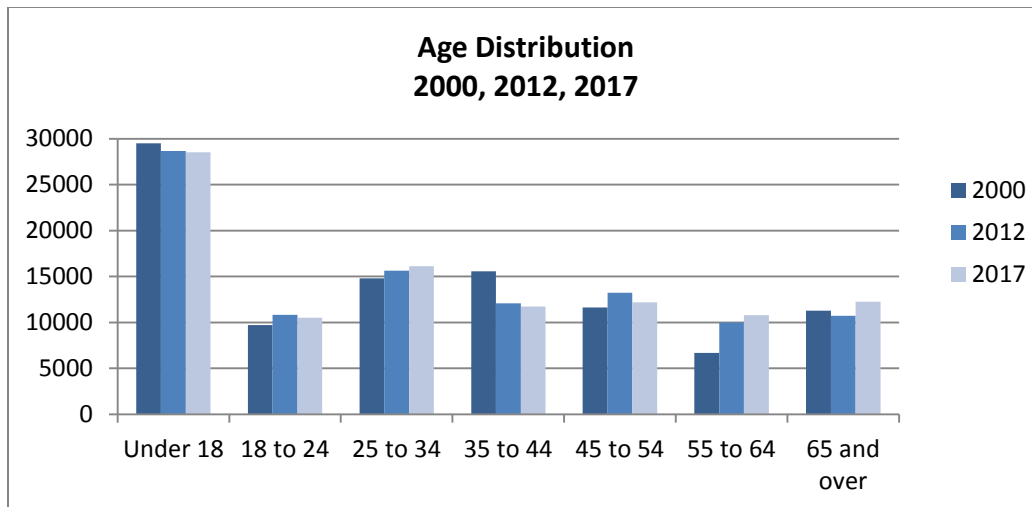
TABLE 3								
POPULATION AND HOUSEHOLD GROWTH TRENDS AND PROJECTIONS								
PRIMARY MARKET AREA								
2000 to 2020								
					Change			
	U.S. Census		Estimate	Forecast	2000 to 2010		2010 to 2020	
	2000	2010	2012	2020	No.	Pct.	No.	Pct.
<b>POPULATION</b>								
Primary Market Area	99,153	100,744	101,125	102,450	1,591	1.6	1,706	1.7
City of Maplewood	34,947	38,018	38,500	39,750	3,071	8.8	1,732	4.6
Ramsey County	511,035	508,640	510,810	517,315	32,760	11.0	68,376	20.7
Twin Cities Metro Area	2,642,062	2,849,567	2,901,700	3,035,000	207,505	7.9	185,433	6.5
Primary Market Area	36,694	36,422	36,575	37,300	-272	-0.7	878	2.4
City of Maplewood	13,758	14,882	15,075	15,675	1,124	8.2	793	5.3
Ramsey County	201,236	202,691	138,345	204,240	14,799	13.9	31,521	26.0
Twin Cities Metro Area	1,021,454	1,117,749	1,150,950	1,205,000	96,295	9.4	87,251	7.8
Sources: U.S. Census Bureau; Metropolitan Council; Maxfield Research Inc.								

### Population Age Distribution

Table 4 shows the age distribution of the PMA population in 2000 and 2010 with estimates for 2012 and projections for 2017. The 2000 and 2010 distributions are from the U.S. Census Bureau and 2012 figures are estimates based on 2010 Census data. Maxfield Research Inc. derived the 2017 projections by adjustments made to data obtained from ESRI.

- ▶ Mirroring trends observed across the Nation, growth in the aging baby boomer generation is substantially impacting the composition of the PMA's population. Born between 1946 and 1964, these individuals generally comprise the age groups 45 to 54 and 55 to 64 in 2012. As of 2012, baby boomers accounted for 23% of the total population in the PMA.
- ▶ The 55 to 64 age cohort had the largest population growth during the 2000s, adding about 3,300 people (+49.3%) in the PMA. The growth in this age cohort can be primarily attributed to the baby boom generation aging into their mid-age adult years.
- ▶ The 65+ age cohort is projected to have the greatest growth by 2017 (by percentage and numerically) increasing by 1,553 people (+14.5). The growth in this age cohort can be primarily attributed to the baby boom generation aging into their young senior years. This trend has fueled strong demand for alternative housing options, particularly smaller lot homes and townhomes, because many older adults opt to downsize from larger single-family homes due to decreasing needs for space and other lifestyle changes.
- ▶ The PMA's population of 18 to 34 year olds, which consists primarily of renters and first-time homebuyers, increased by +7.5% between 2000 and 2010, and is projected to remain stable between 2012 and 2017. This could impact demand for rental units and starter homes in the next five years.

TABLE 4								
POPULATION AGE DISTRIBUTION								
PRIMARY MARKET AREA								
2000 to 2017								
Age	Census		Estimate	Projection	Change			
	2000	2010	2012	2017	2000-2010		2012-2017	
	No.	No.	No.	No.	No.	Pct.	No.	Pct.
Under 18	29,495	28,546	28,654	28,528	-949	-3.2	-126	-0.4
18 to 24	9,702	10,773	10,814	10,507	1,071	11.0	-307	-2.8
25 to 34	14,798	15,566	15,625	16,109	768	5.2	484	3.1
35 to 44	15,563	12,032	12,078	11,728	-3,531	-22.7	-350	-2.9
45 to 54	11,639	13,189	13,239	12,205	1,550	13.3	-1,034	-7.8
55 to 64	6,679	9,971	10,009	10,803	3,292	49.3	795	7.9
65 and over	11,277	10,667	10,707	12,260	-610	-5.4	1,553	14.5
<b>Total</b>	<b>99,153</b>	<b>100,744</b>	<b>101,125</b>	<b>102,141</b>	<b>1,591</b>	<b>1.6</b>	<b>1,016</b>	<b>1.0</b>
Sources: U.S. Census Bureau; ESRI; Maxfield Research Inc.								



### **Race and Ethnicity**

Tables 5 and 6 present the race and ethnicity of the population in the PMA in 1990, 2000 and 2010.

- ▶ “Whites” comprised the largest proportion (58.9% in 2010) of the population in the PMA. While this category has remained the largest since 1990, it represents a much smaller proportion of total population over the past two decades, decreasing from 88.5% in 1990 to 58.9% in 2010.
- ▶ “Asians” experienced the largest growth, increasing by 4,270 people (+4.2%) between 1990 and 2000 and by 7,820 (+60.6%) between 2000 and 2010. There is a large Southeast Asian population in the East Side and Lake Phalen neighborhoods of St. Paul, which are located in the PMA.
- ▶ Although Hispanics/Latinos comprised only 10% of the population in 2010, there was a 53.7% increase between 2000 and 2010 and a 181% increase between 1990 and 2000.
- ▶ It should be noted that one must select their race as well as whether one is of Hispanic/Latino origin. Since people self-identify their racial classification, there may be confusion on the part of some people about what category most accurately describes their race. Some people may choose to self-identify using their ethnicity as their race. The increasing diversity of the nation will likely result in some confusion over these figures for some time.

TABLE 5										
RACE										
PRIMARY MARKET AREA										
2000 and 2010										
	1990		2000		2010		Change			
	No.	Pct.	No.	Pct.	No.	Pct.	1990-2000		2000-2010	
							No.	Pct.	No.	Pct.
White	79,442	88.5%	71,852	72.5%	59,324	58.9%	-7,590	-9.6%	-12,528	-17.4%
Black or African American	2,865	3.2%	7,061	7.1%	11,390	11.3%	4,196	146.5%	4,329	61.3%
American Indian and Alaska Native	922	1.0%	1,029	1.0%	1,015	1.0%	107	11.6%	-14	-1.4%
Asian	3,869	4.3%	12,909	13.0%	20,729	20.6%	9,040	233.7%	7,820	60.6%
Native Hawaiian and Other Pacific Islander	68	0.1%	90	0.1%	61	0.1%	22	32.4%	-29	-32.2%
Some Other Race	1,039	1.2%	3,014	3.0%	4,270	4.2%	1,975	190.1%	1,256	41.7%
Two or More Races	1,598	1.8%	3,198	3.2%	3,955	3.9%	1,600	100.1%	757	23.7%
Total	89,803	100.0%	99,153	100.0%	100,744	100.0%	9,350	10.4%	1,591	1.6%
Sources: U.S. Census Bureau; Maxfield Research Inc.										

TABLE 6										
ETHNICITY										
PRIMARY MARKET AREA										
2000 and 2010										
	1990		2000		2010		Change			
	No.	Pct.	No.	Pct.	No.	Pct.	1990-2000		2000-2010	
							No.	Pct.	No.	Pct.
Hispanic or Latino	2,328	2.6%	6,544	6.6%	10,056	10.0%	4,216	181.1%	3,512	53.7%
Not Hispanic or Latino	87,475	97.4%	92,609	93.4%	90,688	90.0%	5,134	5.9%	-1,921	-2.1%
Total	89,803	100.0%	99,153	100.0%	100,744	100.0%	9,350	10.4%	1,591	1.6%
Sources: U.S. Census Bureau; Maxfield Research Inc.										

### Household Income by Age

The estimated distribution of household incomes in the PMA for 2012 and 2017 are shown in Table 7. The data was estimated by Maxfield Research Inc. based on income trends provided by ESRI. The data helps ascertain the demand for different housing products based on the size of the market at specific cost levels.

The Department of Housing and Urban Development defines affordable housing costs as 30% of a household's adjusted gross income. For example, a household with an income of \$50,000 per year would be able to afford a monthly housing cost of about \$1,250.

- In 2012, the median household income in the PMA is estimated to be \$47,332. Compared to the Twin Cities Metro Area as a whole, incomes in the PMA are lower. A review of income data reveals that the PMA's incomes are approximately 24% lower than the Metro Area's median income (\$62,050 in 2012 according to ESRI).



TABLE 7								
HOUSEHOLD INCOME BY AGE OF HOUSEHOLDER								
PRIMARY MARKET AREA								
(Number of Households)								
2012 & 2017								
		Age of Householder						
	Total	Under 25	25-34	35-44	45-54	55-64	65 -74	75+
2012								
Less than \$15,000	2,980	360	522	318	278	435	334	733
\$15,000 to \$24,999	2,970	255	545	333	334	286	475	741
\$25,000 to \$34,999	2,865	290	622	452	337	387	338	439
\$35,000 to \$49,999	5,493	364	1,211	1,121	988	763	601	446
\$50,000 to \$74,999	9,540	297	2,309	1,893	2,169	1,840	658	373
\$75,000 to \$99,999	6,723	161	1,295	1,565	1,871	1,013	393	423
\$100,000 to \$149,999	4,269	129	491	749	1,321	920	262	397
\$150,000 to \$199,999	1,033	59	104	179	269	244	73	105
\$200,000+	701	47	49	115	151	176	79	84
Total	36,575	1,963	7,150	6,725	7,718	6,064	3,212	3,742
Median Income	\$47,332	\$37,297	\$54,669	\$62,102	\$70,848	\$62,782	\$45,436	\$33,753
2017								
Less than \$15,000	2,578	311	466	271	194	373	346	617
\$15,000 to \$24,999	2,180	179	415	242	221	222	405	497
\$25,000 to \$34,999	2,316	235	512	355	222	334	315	343
\$35,000 to \$49,999	4,187	279	998	793	620	620	553	324
\$50,000 to \$74,999	9,454	287	2,460	1,797	1,767	1,891	853	399
\$75,000 to \$99,999	6,981	166	1,440	1,563	1,599	1,173	581	458
\$100,000 to \$149,999	6,848	209	909	1,182	1,783	1,522	610	634
\$150,000 to \$199,999	1,453	57	173	236	363	351	146	127
\$200,000+	1,095	50	74	197	207	300	168	99
Total	37,091	1,772	7,447	6,634	6,976	6,786	3,978	3,499
Median Income	\$55,546	\$42,454	\$60,221	\$72,140	\$80,388	\$74,069	\$58,314	\$48,102
Change - 2012 to 2017								
Less than \$15,000	-402	-49	-56	-48	-84	-62	12	-116
\$15,000 to \$24,999	-790	-77	-130	-91	-113	-64	-70	-244
\$25,000 to \$34,999	-550	-55	-110	-97	-115	-53	-23	-96
\$35,000 to \$49,999	-1,306	-85	-213	-328	-368	-143	-47	-122
\$50,000 to \$74,999	-86	-10	150	-96	-402	51	195	26
\$75,000 to \$99,999	258	5	145	-2	-272	160	188	35
\$100,000 to \$149,999	2,579	80	417	433	462	602	348	236
\$150,000 to \$199,999	419	-2	69	57	94	107	73	22
\$200,000+	393	3	25	81	56	124	89	16
Total	516	-191	297	-91	-742	722	765	-243
Median Income	\$8,214	\$5,157	\$5,553	\$10,039	\$9,541	\$11,287	\$12,878	\$14,349
Sources: ESRI; Maxfield Research Inc.								

- ▶ Median income often increases with household age. In 2012, the median income in the PMA is an estimated \$37,297 for households age 15 to 24, increasing to a median income of \$70,848 for households age 45 to 54. After age 45 to 54, household income declines with age, as senior households often do not have income-producing employment and are more likely to have only one income per household.
- ▶ With a median household income of \$47,332, a household could afford a monthly housing cost of about \$1,185, based on an allocation of 30% of income toward housing.
- ▶ It is estimated that the overall median household income in the PMA will increase from \$47,332 in 2012 to \$55,546 in 2017.

### **Tenure by Age of Householder**

Table 8 shows household tenure by age of householder for the City of Maplewood and the PMA in 2000 and 2010. The data is compiled from the U.S. Census Bureau. Household tenure information is important in understanding households' preferences to either rent or own their housing. In addition to preferences, factors that contribute to these proportions include mortgage interest rates, household age, and lifestyle considerations, among others. There was a trend toward owned housing as mortgage interest rates were very low and money assistance was plentiful in the early and mid-2000s. As the housing market downturn impacted the local market however, rental units became more popular due to difficulties in obtaining mortgages and overall buyer uncertainty.

- ▶ Mainly due to problems in the economy and the crisis in the housing market, between 2000 and 2010, homeownership rates in all age categories, except those age 65+, recorded a percentage reduction. In 2000, 67.2% of all households in the Market Area owned their housing. By 2010, that percentage decreased to 63.4%.
- ▶ As households progress through their life cycle, housing needs change. The proportion of renter households decreases significantly as households age out of their young-adult years. However, by the time households reach their senior years, rental housing often becomes a more viable option than homeownership, reducing the responsibility of maintenance and a financial commitment.
- ▶ The City of Maplewood has higher homeownership rates than the PMA in all age categories except those age 65+. Overall 73.0% of households in Maplewood owned their housing compared to 63.4% in the PMA.

TABLE 8									
TENURE BY AGE OF HOUSEHOLDER									
PRIMARY MARKET AREA									
2000 & 2010									
Age		City of Maplewood				Primary Market Area			
		2000		2010		2000		2010	
		No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
15-24	Own	108	19.4	122	23.1	489	21.1	386	19.7
	Rent	450	80.6	407	76.9	1,825	78.9	1,569	80.3
	<b>Total</b>	<b>558</b>	<b>100.0</b>	<b>529</b>	<b>100.0</b>	<b>2,314</b>	<b>100.0</b>	<b>1,955</b>	<b>100.0</b>
25-34	Own	1,353	62.7	1,270	57.5	4,044	55.4	3,562	50.0
	Rent	805	37.3	939	42.5	3,261	44.6	3,558	50.0
	<b>Total</b>	<b>2,158</b>	<b>100.0</b>	<b>2,209</b>	<b>100.0</b>	<b>7,305</b>	<b>100.0</b>	<b>7,120</b>	<b>100.0</b>
35-44	Own	2,659	82.1	1,702	72.0	6,306	70.6	4,092	61.1
	Rent	581	17.9	663	28.0	2,623	29.4	2,605	38.9
	<b>Total</b>	<b>3,240</b>	<b>100.0</b>	<b>2,365</b>	<b>100.0</b>	<b>8,929</b>	<b>100.0</b>	<b>6,697</b>	<b>100.0</b>
45-54	Own	2,407	86.7	2,712	82.2	5,320	77.3	5,390	70.1
	Rent	370	13.3	588	17.8	1,564	22.7	2,296	29.9
	<b>Total</b>	<b>2,777</b>	<b>100.0</b>	<b>3,300</b>	<b>100.0</b>	<b>6,884</b>	<b>100.0</b>	<b>7,686</b>	<b>100.0</b>
55-64	Own	1,629	89.1	2,323	84.3	3,212	80.0	4,555	75.4
	Rent	199	10.9	433	15.7	802	20.0	1,484	24.6
	<b>Total</b>	<b>1,828</b>	<b>100.0</b>	<b>2,756</b>	<b>100.0</b>	<b>4,014</b>	<b>100.0</b>	<b>6,039</b>	<b>100.0</b>
65 +	Own	2,263	70.8	2,742	73.7	5,290	73.0	5,120	73.9
	Rent	934	29.2	981	26.3	1,958	27.0	1,805	26.1
	<b>Total</b>	<b>3,197</b>	<b>100.0</b>	<b>3,723</b>	<b>100.0</b>	<b>7,248</b>	<b>100.0</b>	<b>6,925</b>	<b>100.0</b>
<b>TOTAL</b>	Own	10,419	75.7	10,871	73.0	24,661	67.2	23,105	63.4
	Rent	3,339	24.3	4,011	27.0	12,033	32.8	13,317	36.6
	<b>Total</b>	<b>13,758</b>	<b>100.0</b>	<b>14,882</b>	<b>100.0</b>	<b>36,694</b>	<b>100.0</b>	<b>36,422</b>	<b>100.0</b>
Sources: U.S. Census Bureau; Maxfield Research Inc.									

## Employment Growth Trends

### Employment Projections

Table 9 shows employment growth trends and projections from 1990 to 2020 based on the most recent information available from the Minnesota Department of Employment and Economic Development and the Metropolitan Council. The employment information for the PMA is based on Traffic Analysis Zones that closely approximate the PMA.

Employment growth can fuel household and population growth as people generally desire to live near where they work. Long commute times and the redevelopment of core cities have encouraged households to move closer to major employment centers.

## DEMOGRAPHIC ANALYSIS

- ▶ In 2000, there were 42,695 jobs in the PMA. While many areas of the Metro Area experienced a decline in jobs between 2000 and 2010 due to the economic recession, Maplewood added 4,408 jobs (+15.5%). However, the Remainder of the PMA lost -535 jobs in the same period. The Twin Cities Metro Area as a whole experienced a -4.1% decrease in jobs between 2000 and 2010.
- ▶ Job growth is expected to continue in the PMA between 2010 and 2020. The PMA is projected to increase by 5,255 jobs (+12.3%). As a comparison, the Twin Cities Metro Area is expected to grow by +7.9%. Increases in employment for the Twin Cities Metro Area are due to the growing number of jobs located in the suburbs. Employment growth will increase demand for new rental housing throughout the Twin Cities Metro Area.

TABLE 9 EMPLOYMENT GROWTH TRENDS AND PROJECTIONS PRIMARY MARKET AREA 1990-2020											
					Change						
					1990-2000		2000-2010		2010-2020		
					No.	Pct.	No.	Pct.	No.	Pct.	
Census					Projection						
1990	2000	2010	2020								
EMPLOYMENT											
Maplewood	30,673	28,419	32,827	37,100	-2,254	-7.3	4,408	15.5	4,273	13.0	
Remainder of the PMA	10,227	10,403	9,868	10,850	176	1.7	-535	-5.1	982	10.0	
Primary Market Area	40,900	38,822	42,695	47,950	-2,078	-5.1	3,873	10.0	5,255	12.3	
Twin Cities Metro Area	1,272,773	1,607,916	1,542,086	1,663,500	335,143	26.3	-65,830	-4.1	121,414	7.9	
Sources: Metropolitan Council; Minnesota Department of Employment and Economic Development; Maxfield Research Inc.											

Sources: Metropolitan Council; Minnesota Department of Employment and Economic Development; Maxfield Research Inc.

### Labor Force/Resident Employment

Table 10 presents resident employment data in the City of Minneapolis from 2000 through 2011. Resident employment data is calculated as an annual average and reveals the work force and *number of employed people living in the area*. It is important to note that not all of these individuals necessarily work in the area.

- Resident employment in Maplewood increased by about 120 people between 2000 and 2012. However, the number of individuals in the labor market also increased (+835 people), which resulted in an increase in unemployment from 2.7% (2000) to 6.3% (as of September 2012).
- The City's unemployment rate of 6.3% in 2012 is slightly higher than the State of Minnesota (6.0%) but lower than the Nation (8.3%).
- Between 2009 and 2012, the unemployment rate in Maplewood dropped from 8.3% to 6.3%. The State of Minnesota also saw a sizable decrease between 2009 and 2012, decreasing from 8.0% in 2009 to 6.0% in 2012. These are indicators that the economy is recovering and the recession is over.

TABLE 10						
RESIDENT EMPLOYMENT (ANNUAL AVERAGE)						
CITY OF MAPLEWOOD						
2000 to 2012*						
	Total				Minnesota	U.S.
	Labor	Total	Total	Unemply.	Unemply.	Unemply.
Year	Force	Employed	Unemployed	Rate	Rate	Rate
2000	19,982	19,451	531	2.7%	3.1%	4.0%
2001	20,142	19,492	650	3.2%	3.8%	4.7%
2002	20,113	19,330	783	3.9%	4.5%	5.8%
2003	20,074	19,173	901	4.5%	4.9%	6.0%
2004	19,801	18,961	840	4.2%	4.6%	5.6%
2005	19,430	18,692	738	3.8%	4.2%	5.1%
2006	19,586	18,827	759	3.9%	4.1%	4.6%
2007	19,937	19,011	926	4.6%	4.7%	4.6%
2008	19,939	18,856	1,083	5.4%	5.4%	5.8%
2009	20,032	18,373	1,659	8.3%	8.0%	9.3%
2010	20,049	18,526	1,523	6.9%	7.3%	9.6%
2011	20,102	18,740	1,362	6.3%	6.4%	8.9%
2012*	20,817	19,570	1,247	6.3%	6.0%	8.3%
<b>Change 2000-12</b>	<b>835</b>	<b>119</b>	<b>716</b>	<b>3.6%</b>	<b>2.9%</b>	<b>4.3%</b>
* through September 2012						
Sources: MN Dept. of Employment and Economic Development; Maxfield Research Inc.						

### **Covered Employment by Industry**

Table 11 presents covered employment in the City of Maplewood in 2009 and First Quarter 2012. Covered employment data is calculated as an annual average and *reveals the number of jobs in the City* that are covered by unemployment insurance. Most farm jobs, self-employed people and some other types of jobs are not covered by unemployment insurance and are not included in the table.

- ▶ Between 2009 and First Quarter 2012, Maplewood added 1,371 jobs. The industries that experienced the most significant job increases were Professional & Business Services (+1,335 jobs) and Education & Health Services (+282 jobs).
- ▶ It is important to note that although the Leisure & Hospitality industry accounts for about 10% of jobs, the average wage is about \$16,692, the lowest average annual wage among the classified industries. Many of the jobs in this industry are part-time employees, many of whom are students.
- ▶ The overall average annual wage among covered employees was \$97,500 in 2012, up from \$63,440 in 2009. Wage ranges vary by industry with Leisure & Hospitality having the lowest annual average wage (\$16,692) and Professional & Business Services having the highest annual average wage (\$187,304).

TABLE 11								
COVERED EMPLOYMENT BY INDUSTRY								
CITY OF MAPLEWOOD								
Annual Average 2009 and 2012*								
	2009			2012*			Change	
	Employment		Avg. Wage	Employment		Avg. Wage	No.	Pct.
Goods Producing Industries <sup>1</sup>	757	2.9%	\$48,360	717	2.6%	\$51,844	-40	-5.3%
TTU <sup>2</sup>	5,730	21.7%	\$39,780	5,889	21.2%	\$53,092	159	2.8%
Information	256	1.0%	\$69,524	0	0.0%	\$0	-256	-100.0%
Financial Activities	645	2.4%	\$34,424	641	2.3%	\$32,188	-4	-0.6%
Professional & Business Services	9,378	35.5%	\$109,668	10,713	38.5%	\$187,304	1,335	14.2%
Education & Health Services	6,080	23.0%	\$45,188	6,362	22.9%	\$43,108	282	4.6%
Leisure and Hospitality	2,474	9.4%	\$14,924	2,494	9.0%	\$16,692	20	0.8%
Other Services	511	1.9%	\$27,352	461	1.7%	\$30,784	-50	-9.8%
Public Administration	620	2.3%	\$41,028	545	2.0%	\$48,308	-75	-12.1%
Unclassified	0	0.0%	--	0	0.0%	\$0	0	--
<b>Total</b>	<b>26,451</b>	<b>100%</b>	<b>\$63,440</b>	<b>27,822</b>	<b>100%</b>	<b>\$97,500</b>	<b>1,371</b>	<b>5.2%</b>
<sup>1</sup> Includes natural resource/mining, construction, and manufacturing.								
<sup>2</sup> Trade, transportation, & utilities.								
* through 1st Quarter 2012								
Sources: Minnesota Department of Employment and Economic Development; Maxfield Research Inc.								

## Introduction

Maxfield Research Inc. analyzed the for-sale housing market in the PMA by gathering data on single-family and multifamily home resales, newer housing developments, pending for-sale developments, and conducting interviews with local real estate professionals, developers and planning officials.

## Overview of For-Sale Housing Market Conditions

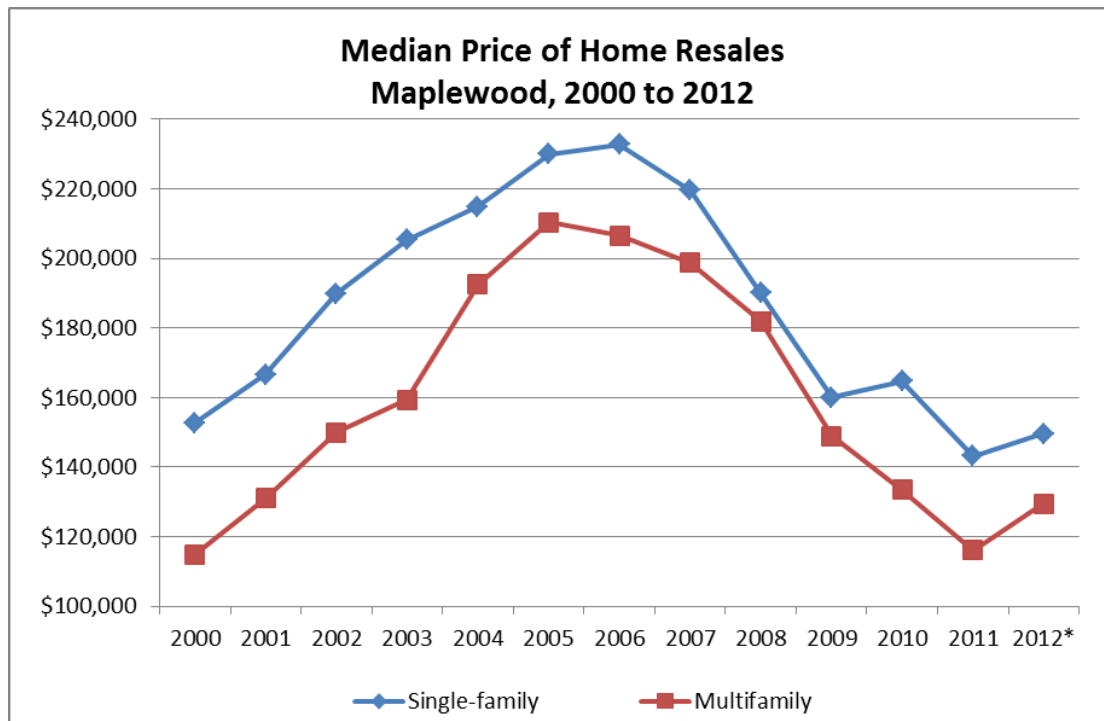
Table 12 presents home resale data on single-family and multifamily housing in Maplewood and the Remainder of the PMA from 2000 through October 31, 2012. The data was obtained from the Regional Multiple Listing Services of Minnesota and shows annual number of sales, median and average pricing, and average days on market.

- ▶ As of October 31, 2012, the average sales price of a single-family home in Maplewood was \$158,717 and the median sales price was \$149,700. Median prices are generally a better indicator of home resale values as they are not heavily impacted by uncommonly high- or low-priced homes. The median sales price of a multifamily home was \$129,450.
- ▶ Sale prices in Maplewood are significantly higher than the Remainder of the PMA. The median single-family sale price in Maplewood in 2012 was \$149,700 compared to \$90,000 in the Remainder of the PMA.
- ▶ Consistent with housing conditions across the Nation, home values have depreciated in Maplewood and the surrounding communities due to the slow down in the housing market and economy. From 2006 to 2012, the median sales price for single-family homes in Maplewood decreased -35.7% and -37.3 for multifamily homes. However, median sales prices have increased from 2011, indicating some economic recovery.
- ▶ Single-family housing types accounted for about 76% of all resales in Maplewood since 2000. Multifamily resales were highest in 2005 when 112 units were sold.



**TABLE 12**  
**RESIDENTIAL RESALE VALUES**  
**PRIMARY MARKET AREA**  
**2000 to 2012**

	City of Maplewood				Remainder of Market Area			
	No. of Sales	Average Price	Median Price	Average DOM	No. of Sales	Average Price	Median Price	Average DOM
<b>Single-Family</b>								
2012*	212	\$158,717	\$149,700	73	740	\$103,587	\$90,000	70
2011	216	\$151,946	\$143,175	89	945	\$97,130	\$85,000	77
2010	183	\$177,604	\$164,700	67	932	\$106,817	\$100,000	62
2009	243	\$170,218	\$160,000	72	1,303	\$100,859	\$99,000	64
2008	179	\$204,315	\$190,000	84	866	\$116,030	\$108,100	76
2007	200	\$241,356	\$219,500	75	626	\$175,250	\$171,900	72
2006	220	\$251,764	\$232,700	69	772	\$190,726	\$183,575	67
2005	273	\$251,658	\$229,900	70	1,039	\$190,934	\$183,900	65
2004	244	\$245,820	\$214,950	39	1,054	\$181,350	\$175,000	37
2003	286	\$223,662	\$205,250	34	1,021	\$165,623	\$162,500	34
2002	239	\$216,609	\$189,900	37	1,012	\$152,323	\$148,425	30
2001	226	\$180,194	\$166,600	27	1,033	\$135,168	\$133,797	27
2000	226	\$167,549	\$152,700	26	871	\$118,345	\$116,000	25
% Change '00-12		-5.3%	-2.0%			-12.5%	-22.4%	
% Change '09-12		-6.8%	-6.4%			2.7%	-9.1%	
<b>Multifamily</b>								
2012*	88	\$135,317	\$129,450	77	25	\$118,544	\$110,000	125
2011	74	\$117,996	\$116,200	106	32	\$109,387	\$97,450	87
2010	76	\$140,041	\$133,500	108	32	\$113,273	\$113,200	103
2009	68	\$151,636	\$148,850	98	28	\$119,893	\$117,725	89
2008	73	\$176,770	\$181,900	81	37	\$135,043	\$142,040	96
2007	98	\$200,269	\$198,780	96	41	\$184,915	\$183,000	145
2006	104	\$215,355	\$206,500	71	52	\$207,032	\$199,650	95
2005	112	\$219,003	\$210,390	95	47	\$203,640	\$185,000	64
2004	69	\$217,165	\$192,500	32	41	\$163,650	\$162,900	51
2003	48	\$177,564	\$159,350	37	27	\$154,420	\$150,000	53
2002	31	\$158,910	\$149,900	44	32	\$165,261	\$154,950	57
2001	56	\$133,529	\$131,030	21	24	\$138,484	\$134,957	20
2000	33	\$114,731	\$114,900	21	23	\$108,691	\$112,900	52
% Change '00-12		17.9%	12.7%			9.1%	-2.6%	
% Change '09-12		-10.8%	-13.0%			-1.1%	-6.6%	
* through October 31, 2012								
Sources: Regional Multiple Listing Service; Maxfield Research Inc.								



### Selected For-Sale Multifamily Housing Developments

Maxfield Research Inc. gathered information on newer (built in 2008 or after) for-sale town-home and condominium projects sold or currently marketing in the PMA. Table 13 presents information on these developments, including type of unit, size of unit, year built, list or sales price, and the number of bedrooms and bathrooms. The points following the table summarize the for-sale multifamily market in the PMA.

- ▶ A total of 34 listings was inventoried, five of which are active listings. All listings are town-home units.
- ▶ The average resale price was \$198,917 and the median price was \$185,000. Pricing ranged from \$118,500 for a two-bedroom unit at *Phalen Crossing* to \$292,694 for a three-bedroom at *The Woodlands*.
- ▶ Based on a median price of \$185,000, the income required to afford a home at this price would be about \$52,857 to \$61,666, based on the standard of 3.0 to 3.5 times the median income (and assuming these households do not have a high level of debt). A household with significantly more equity (in an existing home and/or savings) could afford a higher priced home. About 58% of PMA households have annual incomes at or above \$53,000.
- ▶ The average unit size is 1,615 square feet with a range of 1,218 square feet to 2,490 square feet.

## FOR-SALE MARKET ANALYSIS

- ▶ On a per square foot basis, the average price of these newer multifamily homes is \$124, ranging from \$80 for a two-bedroom unit at *Phalen Crossing* to \$170 for two-bedroom units at *The Woodlands*.
- ▶ All the units also have a monthly association fee which includes snow and lawn care, outside maintenance, and sanitation. The average monthly association fee is \$179.
- ▶ Many of these new projects are offering stainless steel appliance allowances, upgraded cabinetry and countertops, and upgraded flooring allowances.

TABLE 13 SELECTED REALES AND ACTIVE NEW FOR-SALE MULTIFAMILY HOUSING PRIMARY MARKET AREA October 2012										
Address	City	Development	Type	Year Built	Date Sold	BR/BA	Finished Sq Ft	List/Sale Price	Price / Sq Ft	Association Fee
<b>RESALES</b>										
345 Lewis Street E	Maplewood	The Woodlands	TH Detached	2012	10/2012	2 / 2	1,605	\$229,843	\$143	\$200
1746 Edgemont Street N	Maplewood	The Woodlands	TH Detached	2012	9/2012	3 / 3	2,471	\$280,927	\$114	\$200
365 Sophia Avenue E	Maplewood	The Woodlands	TH Detached	2012	9/2012	3 / 3	2,490	\$277,793	\$112	\$200
367 Sophia Avenue E	Maplewood	The Woodlands	TH Detached	2012	8/2012	2 / 2	1,650	\$280,880	\$170	\$200
1747 Edgemont Street N	Maplewood	The Woodlands	TH Detached	2012	8/2012	2 / 2	1,705	\$269,676	\$158	\$200
373 Sophia Avenue E	Maplewood	The Woodlands	TH Detached	2012	7/2012	3 / 3	2,471	\$292,694	\$118	\$200
351 Sophia Avenue E	Maplewood	The Woodlands	TH Side x Side	2012	6/2012	5 / 3	2,243	\$251,873	\$112	\$200
1977 Castle Court E	Maplewood	Dearborn	TH Side x Side	2012	7/2012	2 / 2	1,448	\$239,900	\$166	\$210
1003 Farrell Street S	Maplewood	Cardinal Cottagewood	TH Detached	2011	2/2012	2 / 1	1,218	\$199,900	\$164	\$107
331 Summer Place E	Maplewood	Overview	TH Side x Side	2011	6/2012	2 / 2	1,652	\$209,700	\$127	\$189
333 Summer Place E	Maplewood	Overview	TH Side x Side	2011	2/2012	2 / 2	1,400	\$197,500	\$141	\$189
311 Summer Place E	Maplewood	Overview	TH Side x Side	2010	12/2011	2 / 2	1,400	\$172,175	\$123	\$189
335 Summer Place E	Maplewood	Overview	TH Side x Side	2010	11/2011	2 / 2	1,400	\$185,000	\$132	\$189
309 Summer Place E	Maplewood	Overview	TH Side x Side	2010	10/2011	2 / 2	1,400	\$154,702	\$111	\$189
310 Summer Place E	Maplewood	Overview	TH Side x Side	2011	5/2011	2 / 2	1,400	\$229,734	\$164	\$189
313 Summer Place E	Maplewood	Overview	TH Side x Side	2010	10/2010	2 / 2	1,400	\$160,000	\$114	\$189
315 Summer Place E	Maplewood	Overview	TH Side x Side	2010	8/2010	2 / 2	1,400	\$190,175	\$136	\$189
321 Summer Place E	Maplewood	Overview	TH Side x Side	2009	6/2010	2 / 2	1,400	\$179,700	\$128	\$189
1249 Hometown Avenue	Maplewood	Heritage Square	TH Side x Side	2009	3/2010	3 / 3	1,594	\$170,000	\$107	\$157
1251 Hometown Avenue	Maplewood	Heritage Square	TH Side x Side	2009	11/2009	3 / 3	1,600	\$178,440	\$112	\$144
1242 Hometown Avenue	Maplewood	Heritage Square	TH Side x Side	2009	9/2009	3 / 3	1,594	\$162,252	\$102	\$144
1241 Majestic Avenue	Maplewood	Heritage Square	TH Side x Side	2009	8/2009	2 / 2	1,233	\$147,795	\$120	\$144
1243 Majestic Avenue	Maplewood	Heritage Square	TH Side x Side	2009	8/2009	2 / 2	1,233	\$138,335	\$112	\$144
1245 Terrace Avenue	Maplewood	Heritage Square	TH Side x Side	2009	3/2009	2 / 2	1,233	\$164,000	\$133	\$151
2768 Quebec Lane	Little Canada	Villas at Little Canada	TH Side x Side	2008	8/2009	2 / 2	2,323	\$239,101	\$103	\$176
1334 Phalen Boulevard	St. Paul	Phalen Crossing	TH Side x Side	2008	8/2009	2 / 2	1,462	\$151,000	\$103	\$175
1338 Phalen Boulevard	St. Paul	Phalen Crossing	TH Side x Side	2008	7/2009	2 / 2	1,462	\$149,000	\$102	\$175
1336 Phalen Boulevard	St. Paul	Phalen Crossing	TH Side x Side	2008	7/2009	2 / 2	1,462	\$148,000	\$101	\$175
1109 Barclay Street	St. Paul	Phalen Crossing	TH Side x Side	2008	3/2009	2 / 2	1,490	\$118,500	\$80	\$175
<b>ACTIVE LISTINGS</b>										
963 Farrell Street S	Maplewood	Cardinal Cottagewood	TH Detached	2012		2 / 1	1,218	\$199,000	\$163	\$107
976 Farrell Street S	Maplewood	Cardinal Cottagewood	TH Detached	2012		2 / 2	1,201	\$207,500	\$173	\$107
1975 Castle Court E	Maplewood	Dearborn	TH Side x Side	2012		2 / 2	1,448	\$239,999	\$166	\$210
349 Sophia Avenue E	Maplewood	The Woodlands	TH Side x Side	2011		3 / 3	2,605	\$239,900	\$92	\$200
323 Summer Place E	Maplewood	Overview	TH Side x Side	2009		2 / 2	1,436	\$179,900	\$125	\$182

Sources: Multiple Listing Service; Maxfield Research, Inc.

## Demographic Profile and Housing Demand

The demographic profile of a community affects housing demand and the types of housing that are needed. The housing life-cycle stages are:

1. *Entry-level householders*
  - Often prefer to rent basic, inexpensive apartments
  - Usually singles or couples in their early 20's without children
  - Will often "double-up" with roommates in apartment setting
2. *First-time homebuyers and move-up renters*
  - Often prefer to purchase modestly-priced single-family homes or rent more upscale apartments
  - Usually married or cohabiting couples, in their mid-20's or 30's, some with children, but most are without children
3. *Move-up homebuyers*
  - Typically prefer to purchase newer, larger, and therefore more expensive single-family homes
  - Typically families with children where householders are in their late 30's to 40's
4. *Empty-nesters (persons whose children have grown and left home) and never-nesters (persons who never have children)*
  - Prefer owning but will consider renting their housing
  - Some will move to alternative lower-maintenance housing products
  - Generally couples in their 50's or 60's
5. *Younger independent seniors*
  - Prefer owning but will consider renting their housing
  - Will often move (at least part of the year) to retirement havens in the Sunbelt and desire to reduce their responsibilities for upkeep and maintenance
  - Generally in their late 60's or 70's
6. *Older seniors*
  - May need to move out of their single-family home due to physical and/or health constraints or a desire to reduce their responsibilities for upkeep and maintenance
  - Generally single females (widows) in their mid-70's or older

## Estimated Demand for General Occupancy For-Sale Housing

Table 14 presents our demand calculations for general occupancy for-sale housing in the PMA between 2012 and 2020.

Between 2012 and 2020, the PMA is projected to add 725 new households. Based on our analysis of household growth forecast in specific age cohorts, we estimate that 20% of these households will support demand for general occupancy housing products (i.e. vs. senior housing), generating total demand for 145 general occupancy housing units through 2020.

Demand for housing is apportioned between ownership and rental housing products. According to historic U.S. Census data, approximately 63% of households under age 65 owned their housing in 2010 in the PMA. Applying this percentage to the total demand for general occupancy units yields demand for 92 for-sale units between 2012 and 2020.

Demand is also forecast to emerge from existing PMA householders through turnover. An estimated 18,053 owner-occupied households are located in the PMA in 2012. Based on mobility data from the Census Bureau, an estimated 35% of owner households will turnover in an eight-year period, resulting in 6,319 existing households projected to turnover. Finally, we estimate 5% of the existing owner households will seek new for-sale housing, resulting in demand for 316 for-sale units through 2020.

Next, we estimate that 15% of the total demand for new for-sale units in the PMA will come from people currently living outside of the PMA. Adding demand from outside the PMA to the existing demand potential, results in a total estimated demand for 480 for-sale housing units by 2020.

Since the PMA is primarily built out, we project 10% of the demand will be for single-family homes while the remaining 90% of demand will be for multi-family product (i.e. twin homes, townhomes, or condominiums).

We then subtract the current identified platted lots that are under construction or approved. However, there are no pending or under construction lots and total demand remains at 48 single-family lots and 432 multifamily units.

Finally, we estimate that 10% of excess PMA demand could be captured in the Gladstone Area. Therefore, total for-sale demand in the Gladstone Area through 2020 is about 5 single-family units and 43 multifamily units.



TABLE 14 FOR-SALE HOUSING DEMAND PRIMARY MARKET AREA 2012 to 2020			
<b>Demand from Projected Household Growth</b>			
Projected household growth in the PMA 2012 to 2020 <sup>1</sup>		725	
(times) Pct. of HH growth for general occupancy housing <sup>2</sup>	x	20%	
(equals) Projected demand for general occupancy units	=	145	
(times) Propensity to Own <sup>3</sup>	x	63%	
<b>(equals) Total demand potential for ownership housing (2012 to 2017)</b>	<b>=</b>	<b>92</b>	
<b>Demand from Existing Owner Households</b>			
Number of owner households (age 64 and younger) in PMA, 2012		18,053	
(times) Estimated percent of owner turnover <sup>4</sup>	x	35%	
(equals) Total existing households projected to turnover	=	6,319	
(times) Estimated percent desiring new housing	x	5%	
(equals) Demand from existing households		316	
<b>(equals) Total demand from household growth and existing households, 2012 to 2020</b>	<b>=</b>	<b>408</b>	
(times) Demand from outside PMA		15%	
<b>(equals) Total demand potential for ownership housing, 2012-2020</b>		<b>480</b>	
		<b>Single Family</b>	<b>Multi-family*</b>
(times) Percent desiring for-sale single-family vs. multifamily <sup>5</sup>	x	10%	90%
(equals) Total demand potential for new single-family & multifamily for-sale housing	=	48	432
(minus) Units under construction or approved platted lots (undeveloped and developed lots) <sup>6</sup>	-	0	0
(equals) Excess demand for new general occupancy for-sale housing	=	48	432
(times) Percent of Market Area demand capturable by the Gladstone Area	x	10%	10%
<b>(equals) number of units supportable by the Gladstone Area</b>		<b>5</b>	<b>43</b>
<sup>1</sup> Estimated household growth based on data from the Metropolitan Council, ESRI, and Maxfield Research Inc.			
<sup>2</sup> Pct. of household growth age 65 and younger (U.S. Census - 2010, ESRI, Maxfield Research Inc.).			
<sup>3</sup> Pct. Owner households age 65 and younger in the PMA (2010)			
<sup>4</sup> Based on on turnover from 2010 American Community Survey for households moving after 2000.			
<sup>5</sup> Based on preference for housing type and land availability			
<sup>6</sup> Approved platted lot data does not account for the scattered lot supply which includes individual lots and lots in older non-marketing subdivisions.			
* Multi-family demand includes demand for townhomes, twinhomes, and condominium units.			
Source: Maxfield Research Inc.			

## Introduction

Maxfield Research Inc. analyzed the rental housing market in the PMA by gathering data on the overall rental performance in the PMA and Twin Cities Metro Area, newer rental developments, and conducting interviews with planning officials to determine if there are any pending rental developments.

## Overall Rent/Vacancy Trends

Table 15 displays average monthly rents and vacancies from 3<sup>rd</sup> Quarter 2012 by unit type in Maplewood, Little Canada, North St. Paul, St. Paul (north of I-94) as well as the Twin Cities Metro Area. The information is compiled quarterly by Marquette Advisors, with 3<sup>rd</sup> Quarter 2012 being the most recent information available.

- ▶ According to the 3<sup>rd</sup> Quarter Metro Trends Report 2012, Maplewood had a 1.6% vacancy rate overall, Little Canada had a 3.4% vacancy rate, North St. Paul had a 4.0% vacancy rate, and St. Paul (north of I-94) had a vacancy rate of 2.1%. The Metro Area's vacancy rate (2.7%) is unchanged from 2<sup>nd</sup> Quarter 2012, but slightly up from 2.3% a year ago.
- ▶ The properties included in the survey are both newer and older. Because the Apartment Trends report does not segment newer properties in each submarket, average rents shown in Table 15 are less than what is currently being achieved by the newest properties that have come on-line.
- ▶ All of the communities in the PMA except Little Canada have seen a decrease in average vacancy rates from 3<sup>rd</sup> Quarter 2011. In addition, all communities remain below the 5% market equilibrium level for a balanced market that provides sufficient consumer choice and turnover. Vacancy rates below 5% indicate that pent-up demand exists for additional rental units in the market.
- ▶ Average rents in Maplewood increased by 1.1%, increased by 1.7% in Little Canada and 0.9% in North St. Paul, but decreased 1% in St. Paul (north of I-94). Rent increases typically signal a strengthening market and landlords' confidence that they would be able to achieve quoted rents.

TABLE 15										
AVERAGE RENTS/VACANCIES TRENDS										
PRIMARY MARKET AREA										
3rd Quarter 2011 through 3rd Quarter 2012										
		Total	Studio	1 BR	1 BR w/ Den	2 BR	2 BR w/ Den	3 BR	3 BR/D or 4BR	Average Increase
MAPLEWOOD										
9/2011	Units	1,349	8	518	--	753	--	59	--	--
	No. Vacant	34	0	12	--	19	--	2	--	--
	Avg. Rent	\$832	\$580	\$685	--	\$904	--	\$1,168	--	1.5%
	Vacancy	2.5%	0.0%	2.3%	--	2.5%	--	3.4%	--	-0.4%
9/2012	Units	1,465	--	561	--	838	--	47	--	--
	No. Vacant	24	--	8	--	14	--	1	--	--
	Avg. Rent	\$841	--	\$720	--	\$897	--	\$1,249	--	1.1%
	Vacancy	1.6%	--	1.4%	--	1.7%	--	2.1%	--	-0.9%
LITTLE CANADA										
9/2011	Units	1,186	133	455	--	553	--	45	--	--
	No. Vacant	24	3	12	--	9	--	0	--	--
	Avg. Rent	\$793	\$612	\$713	--	\$863	--	\$1,265	--	2.7%
	Vacancy	2.0%	2.3%	2.6%	--	1.6%	--	0.0%	--	-3.0%
9/2012	Units	1,225	131	473	--	575	--	46	--	--
	No. Vacant	42	1	24	--	17	--	0	--	--
	Avg. Rent	\$806	\$630	\$731	--	\$870	--	\$1,286	--	1.7%
	Vacancy	3.4%	0.8%	5.1%	--	3.0%	--	0.0%	--	1.4%
NORTH ST. PAUL										
9/2011	Units	486	17	230	--	203	--	36	--	--
	No. Vacant	17	0	4	--	10	--	3	--	--
	Avg. Rent	\$704	\$619	\$643	--	\$735	--	\$950	--	1.5%
	Vacancy	3.5%	0.0%	1.7%	--	4.9%	--	8.3%	--	-2.5%
9/2012	Units	502	22	240	--	204	--	36	--	--
	No. Vacant	20	1	12	--	5	--	2	--	--
	Avg. Rent	\$710	\$813	\$644	--	\$752	--	\$970	--	0.9%
	Vacancy	4.0%	4.5%	5.0%	--	2.5%	--	5.6%	--	0.5%
ST. PAUL (NORTH OF I-94)										
9/2011	Units	3,551	225	1,771	10	1,510	--	35	--	--
	No. Vacant	68	4	35	1	28	--	0	--	--
	Avg. Rent	\$877	\$689	\$778	\$1,380	\$998	--	\$1,753	--	0.1%
	Vacancy	1.9%	1.8%	2.0%	10.0%	1.9%	--	0.0%	--	-2.0%
9/2012	Units	3,155	199	1,624	--	1,289	--	35	--	--
	No. Vacant	67	3	34	--	28	--	2	--	--
	Avg. Rent	\$868	\$686	\$769	--	\$991	--	\$1,818	--	-1.0%
	Vacancy	2.1%	1.5%	2.1%	--	2.2%	--	5.7%	--	0.2%
TWIN CITIES METRO AREA										
9/2011	Units	107,649	5,055	47,147	2,124	46,130	1,009	5,893	291	--
	No. Vacant	2,518	112	989	63	1,133	32	183	6	--
	Avg. Rent	\$925	\$692	\$803	\$1,116	\$1,004	\$1,440	\$1,285	\$1,655	2.3%
	Vacancy	2.3%	2.2%	2.1%	3.0%	2.5%	3.2%	3.1%	2.1%	-1.8%
9/2012	Units	111,204	5,318	48,863	2,217	47,493	1,097	5,955	261	--
	No. Vacant	2,977	119	1,188	77	1,325	53	199	16	--
	Avg. Rent	\$951	\$710	\$828	\$1,157	\$1,033	\$1,478	\$1,309	\$1,693	2.8%
	Vacancy	2.7%	2.2%	2.4%	3.5%	2.8%	4.8%	3.3%	6.1%	0.3%
Sources: Marquette Advisors; Maxfield Research Inc.										

## Market Rate General Occupancy Rental Developments

Maxfield Research Inc. compiled detailed information of selected market rate developments in the PMA. Due to the limited supply of newer rental properties, Maxfield Research Inc. also inventoried newer properties (built or remodeled after 2005) located outside of the PMA. The inventoried properties located outside of the PMA are intended to serve as a guide in assessing current trends in the rental housing industry. We do not, however, consider the properties outside the PMA to be directly competitive.

Tables 16 and 17 provide an inventory of the surveyed properties that are located in and near the PMA. Table 18 provides information on unit features and common area amenities.

### Review of PMA Rental Developments

- ▶ Eight rental properties in the PMA were surveyed in October 2012 with a total of 920 units. Six are located in Maplewood, one is located in North St. Paul, and one is located in St. Paul.
- ▶ There are 21 units available out of 920 units, resulting in an overall vacancy rate of 2.3%. This vacancy rate is below the market equilibrium rate of 5%, indicating pent-up demand for additional rental units.
- ▶ The overall average rent among the properties in the PMA is \$871 or \$0.97 on a per square foot basis. Summary information on the surveyed properties is presented below. The table presents the monthly rent ranges, average rents and sizes, and average price per square foot for each unit type at the surveyed properties.

RENT SUMMARY					
INSIDE PMA					
October 2012					
	Monthly Rents				Weighted
	Range		Avg.	Avg.	Avg.
Unit Type	Low	High	Rent	Size	Rent/Sq. Ft.
Studio	\$550	\$639	\$595	363	\$1.64
1BR	\$695	\$965	\$758	735	\$1.03
1BR/D	\$0	\$0	\$0	0	\$0.00
2BR	\$825	\$1,295	\$916	972	\$0.94
2BR/D	\$1,280	\$1,280	\$1,280	1,187	\$1.08
3BR	\$1,225	\$1,225	\$0	0	\$0.00
Weighted Average Overall			<b>\$871</b>	<b>896</b>	<b>\$0.97</b>
Source: Maxfield Research Inc.					



## RENTAL MARKET ANALYSIS

**TABLE 16**  
**MARKET RATE GENERAL OCCUPANCY RENTAL DEVELOPMENTS**  
**PRIMARY MARKET AREA**  
**October 2012**

Project Name	Year Built	Total Units	Unit Mix	Unit Size	Monthly Rent	Avg Rent	Rent Per Sq Ft.	Comments/Features
<b>SELECTED MARKET RATE DEVELOPMENTS IN PMA</b>								
<b>Sibley Cove</b>	2004	40	40 - 2BR	900 - 914	\$965 - \$965	\$965	\$1.06 - \$1.07	Also includes 40 AFF units. Tenants pay heat & electric. Water, sewer, trash, and 1 UG stall included in rent.
1996 County Road D East		0						
Maplewood		0.0%						
<b>Birch Glen Apartments</b>	2002	60	42 - 2BR	1,026 - 1,026	\$982 - \$982	\$982	\$0.96 - \$0.96	Three-story building. Tenants pay electric and gas. Water, trash and 1 UG stall included in rent.
3100 Ariel Street		6	6 - 2BR/D	1,187 - 1,187	\$1,280 - \$1,280	\$1,280	\$1.08 - \$1.08	
Maplewood		10.0%	12 - 3BR	1,261 - 1,261	\$1,265 - \$1,380	\$1,323	\$1.00 - \$1.09	
<b>Pondview Apartments</b>	1988	180	42 - 1BR	760 - 760	\$795 - \$810	\$803	\$1.05 - \$1.07	Three-story building. Tenants pay electric. Heat, water, trash and 1 UG stall included in rent.
2565 Ivy Avenue E		0	124 - 2BR	936 - 1,003	\$875 - \$960	\$918	\$0.93 - \$0.96	
Maplewood		0.0%	14 - 3BR	1,327 - 1,327	\$1,225 - \$1,225	\$1,225	\$0.92 - \$0.92	
<b>Century Ridge</b>	1987	72	36 - 1BR	754 - 754	\$729 - \$749	\$739	\$0.97 - \$0.99	Three-story building. Tenants pay electric. Heat, water, trash and 1 UG stall included in rent.
89 Century Avenue N		0	36 - 2BR	986 - 1,024	\$829 - \$879	\$854	\$0.84 - \$0.86	
Maplewood		0.0%						
<b>Maple Ridge Apartments</b>	1986	100	43 - 1BR	804 - 924	\$850 - \$965	\$908	\$1.04 - \$1.06	Three-story building. Tenants pay electric. Heat, water, trash and 1 UG stall included in rent.
1695 East County Road D		6	57 - 2BR	1,042 - 1,304	\$1,050 - \$1,295	\$1,173	\$0.99 - \$1.01	
Maplewood		6.0%						
<b>Wheelock Ridge Villa</b>	1976	172	4 - EFF	300 - 300	\$550 - \$550	\$550	\$1.83 - \$1.83	3 three-story building. Tenants pay electric. Free off-street parking or \$40/mo. garage stall.
380 Wheelock Parkway E		0	87 - 1BR	737 - 737	\$695 - \$695	\$695	\$0.94 - \$0.94	
St. Paul		0.0%	81 - 2BR	929 - 963	\$825 - \$875	\$850	\$0.89 - \$0.91	
<b>Silver Ridge</b>	1986	186	62 - 1BR	708 - 708	\$739 - \$769	\$754	\$1.04 - \$1.09	Tenants pay water, sewer, trash, and gas. Free off-street parking or \$30/mo. Garage stall.
2330 Stillwater Avenue E		5	124 - 2BR	915 - 938	\$829 - \$879	\$854	\$0.91 - \$0.94	
Maplewood		2.7%						
<b>Regency Park</b>	1969	104	na - EFF	425 - 425	\$639 - \$639	\$639	\$1.50 - \$1.50	3 three-story building. Tenants pay electric. Free off-street parking or \$45/mo. garage stall.
2240 Skillman Avenue E		4	na - 1BR	600 - 600	\$699 - \$729	\$714	\$1.17 - \$1.22	
North St. Paul		3.8%	na - 2BR	900 - 900	\$829 - \$849	\$839	\$0.92 - \$0.94	
<b>Total Units/Average</b>		<b>914</b>		<b>896</b>	<b>\$871</b>		<b>\$0.97</b>	
<b>Vacant Units</b>		<b>21</b>						
<b>Vacancy Rate</b>		<b>2.3%</b>						
Source: Maxfield Research Inc.								

## RENTAL MARKET ANALYSIS

TABLE 17  
MARKET RATE GENERAL OCCUPANCY RENTAL DEVELOPMENTS  
PRIMARY MARKET AREA  
October 2012

Project Name	Year Built	Total Units	Unit Mix	Unit Size	Monthly Rent	Avg Rent	Rent Per Sq Ft.	Comments/Features
<b>SELECTED MARKET RATE DEVELOPMENTS JUST OUTSIDE OF PMA</b>								
<b>Arcade Estates West THs</b>	2012	84	84 - 2BR	1,050 - 1,100	\$1,045 - \$1,095	\$1,070	\$1.00 - \$1.00	14 buildings with 6 units each. Townhome units with attached garage. Tenants pay electric and gas.
3531 Arcade Street		0						
Vadnais Heights		0.0%						
<b>Lakewood Place</b>	2005	60	15 - 1BR	687 - 741	\$940 - \$970	\$955	\$1.31 - \$1.37	Three-story building. Tenants pay electric and gas. Water, trash and 1 UG stall included in rent. Additional stall \$50/mo.
3100 Glen Oak Avenue		3	12 - 1BR/D	959 - 959	\$1,090 - \$1,090	\$1,090	\$1.14 - \$1.14	
White Bear Lake		5.0%	21 - 2BR	1,011 - 1,122	\$1,115 - \$1,250	\$1,183	\$1.10 - \$1.11	
			9 - 2BR/D	1,231 - 1,298	\$1,330 - \$1,395	\$1,363	\$1.07 - \$1.08	
			3 - 3BR	1,473 - 1,473	\$1,480 - \$1,480	\$1,480	\$1.00 - \$1.00	
<b>Cedric's Landing</b>	2002/	267	27 - EFF	361 - 606	\$709 - \$889	\$799	\$1.47 - \$1.96	2 three-story buildings. Tenants pay electric. Heat, water, trash, and 1 UG stall included in rent. Free off-street parking as well.
5680 Hadley Avenue	2004	16	106 - 1BR	790 - 833	\$925 - \$1,095	\$1,010	\$1.17 - \$1.31	
Oakdale		6.0%	45 - 1BR/D	931 - 1,018	\$1,125 - \$1,355	\$1,240	\$1.21 - \$1.33	
			71 - 2BR	1,057 - 1,217	\$1,197 - \$1,445	\$1,321	\$1.13 - \$1.19	
			18 - 2BR/D	1,414 - 1,414	\$1,430 - \$1,615	\$1,523	\$1.01 - \$1.14	
<b>Cedars Lakeside Apartments</b>	1987/	159	3 - EFF	557 - 600	\$794 - \$829	\$812	\$1.38 - \$1.43	Three-story building. Tenants pay electric. Heat, water, trash and 1 UG stall included in rent.
2800 Rustic Place	2008	24	60 - 1BR	815 - 940	\$849 - \$1,044	\$947	\$1.04 - \$1.11	
Little Canada		15.1%	72 - 2BR	1,056 - 1,227	\$1,049 - \$1,209	\$1,129	\$0.99 - \$0.99	
			24 - 3BR	1,361 - 1,361	\$1,429 - \$1,469	\$1,449	\$1.05 - \$1.08	
<b>White Bear Woods</b>	1987/	304	4 - EFF	490 - 490	\$869 - \$869	\$869	\$1.77 - \$1.77	Tenants pay water, sewer, trash, and electric. Heat and 1 UG stall included in rent.
4776 Centerville Road	2011	15	100 - 1BR	767 - 820	\$935 - \$1,059	\$997	\$1.22 - \$1.29	
White Bear Lake		4.9%	200 - 2BR	1,003 - 1,245	\$1,059 - \$1,375	\$1,217	\$1.06 - \$1.10	
Total Units/Average		874		1,001	\$1,129		\$1.13	
Vacant Units		58						
Vacancy Rate		6.6%						
Source: Maxfield Research Inc.								

# RENTAL MARKET ANALYSIS

TABLE 18  
FEATURES/AMENITIES/UTILITIES  
MARKET RATE GENERAL OCCUPANCY RENTAL DEVELOPMENTS  
PRIMARY MARKET AREA  
October 2012

Projects	In-Unit								Common Area										Parking and Utilities							
	Air Conditioning	Refrigerator	Microwave	Garbage Disposal	Dishwasher	Washer/Dryer	Walk-In Closet	Patio/Balcony	Community Room	Laundry Facility	Elevator	Fitness Center	Storage	Indoor Pool	Outdoor Pool	BBQ	Play Area	Walking Trail	Heat/Gas	Electricity	Water/Sewer	Trash	Cable	High Speed Internet	Parking	Parking Fee
Sibley Cove	C	X	X	X	X	FS	X				X	X					X				X	X			UG	Included
Birch Glen Apartments	C	X	X	X	X	FS	X	X			X	X	X								X	X			UG	Included
Pondview Apartments	W	X	X	X	X		X	X		X	X				X	X				X		X	X		UG	Included
Century Ridge	W	X		X	X		S	X		X	X	X				X				X		X	X		UG	Included
Maple Ridge	W	X	X	X	X		X	X	X	X	X	X				X				X		X	X		UG	Included
Regency Park	W	X	X		X					X	X		X		X	X		X		X		X	X		DG	\$45/month
Wheelock Ridge Villa	W	X		X	X			X	X	X	X	X		X		X	X			X		X	X		DG	\$40/month
Silver Ridge	W	X		X	X		S		X	X	X	X			X		X			X					DG	\$30/month
Aracde Estates West	C	X	X	X	X	FS	X	X													X	X			AG	Included
Lakewood Place	C	X	X	X	X	FS	X	X	X		X	X	X			X					X	X	X		UG	Included
Cedric's Landing	C	X	X	X	X	FS	X	X	X		X	X			X			X		X		X	X		UG	Included
Cedars Lakeside	W	X	X	X	X	FS	X	X	X		X	X	X		X			X		X		X	X		UG	Included
White Bear Woods	W	X	X	X	X		S	S	X	X	X	X			X	X	X			X					UG	Included

C = Central Air Conditioning; W = Wall-Unit Air Conditioning; FS = Full Size; ST = Stackable; HU = Hook-ups; CF = Community Facilities; S = Some; UG = Heated Underground; AG = Attached Garage; DG = Detached Garage; R = Off-Site Ramp, OS = Off-Street

Note: X indicates features/amenities that are available or utilities that are included in the monthly rents.

Source: Maxfield Research Inc.

### Review of Outside of the PMA Rental Developments

- ▶ The second inventory includes five newer and older renovated rental properties located outside of the PMA. Maxfield Research Inc. surveyed two properties in White Bear Lake and one property in Vadnais Heights, Oakdale, and Little Canada. Together, these developments have a total of 874 units.
- ▶ There are 58 units available out of 874 units, resulting in an overall vacancy rate of 6.6%. This vacancy rate is above the market equilibrium rate of 5% and higher than the vacancy rate of the surveyed properties in the PMA (2.3%).
- ▶ Newer properties located outside of the PMA have higher monthly rents than at the surveyed properties in the PMA. The overall average rent among the properties outside of the PMA is \$1,129 or \$1.13 on a per square foot basis, which is about \$250 more per month than the surveyed properties in the PMA. The table below presents the monthly rent ranges, average rents and sizes, and average price per square foot for each unit type at the surveyed properties.

RENT SUMMARY					
OUTSIDE OF THE PMA					
October 2012					
	Monthly Rents				Weighted
	Range		Avg.	Avg.	Avg.
Unit Type	Low	High	Rent	Size	Rent/Sq. Ft.
Studio	\$709	\$889	\$808	\$493	\$1.64
1BR	\$849	\$1,095	\$989	\$814	\$1.21
1BR/D	\$1,090	\$1,355	\$1,208	\$971	\$1.24
2BR	\$1,045	\$1,445	\$1,190	\$1,117	\$1.07
2BR/D	\$1,330	\$1,615	\$1,469	\$1,364	\$1.08
3BR	\$1,429	\$1,480	\$1,452	\$1,373	\$1.06
Weighted Average Overall			<b>\$1,129</b>	<b>1,001</b>	<b>\$1.13</b>
Source: Maxfield Research Inc.					

- ▶ The majority of the properties (inside and outside of the PMA) require the tenants to pay gas and electric as well as additional services such as telephone, cable and internet. Water, sewer, trash, and one underground parking stall are typically included.



## Affordable General Occupancy Rental Developments

Maxfield Research Inc. compiled detailed information on selected affordable developments in the PMA. Due to the limited supply of newer rental properties, Maxfield Research Inc. also inventoried newer properties (built after 1996) located outside of the PMA. The inventoried properties located outside of the PMA are intended to serve as a guide in assessing current trends in the rental housing industry. We do not, however, consider the properties outside the PMA to be directly competitive.

Tables 19 and 20 provide an inventory of the surveyed properties that are located in and near the PMA. Table 21 provides information on unit features and common area amenities.

- ▶ Seven rental properties in the PMA were surveyed in October 2012 with a total of 371 units. Three are located in Maplewood and four are located in St. Paul. Maxfield Research Inc. also surveyed three affordable developments outside of the PMA in White Bear Lake and Vadnais Heights.
- ▶ There were no vacant units in the PMA for an overall vacancy rate of 0.0%. This vacancy rate is below the market equilibrium rate of 5%, indicating pent-up demand for additional rental units.
- ▶ The majority of the affordable units was developed through the Low-Income Housing Tax Credit (LIHTC) program, and is restricted to households with incomes at or below 60% area median income (AMI). The income limits for Ramsey County are the same as the Twin Cities Metro Area, which are shown below for one- to four-person households at 60% AMI:

1 Person	\$35,280
2 Person	\$40,320
3 Person	\$45,360
4 Person	\$50,340

- ▶ Rose Hill, Barclay Terrace, Ames Green, and Hazelwood Terrace are part of the Ames Lake Development. They were all built in the 1960s and rehabilitated between 2003 and 2006 in four phases.
- ▶ Hoffman Place is the newest affordable rental development near the PMA. The 60-unit property opened in 2010 and leased up immediately upon opening.
- ▶ Among the surveyed affordable property, the total unit mix has a majority of two-bedroom units, which comprise 50.4% of the total supply. The remaining supply is comprised of three-bedroom units (27.5%), one-bedroom units (19.8%) and four-bedroom units (2.3%).

## RENTAL MARKET ANALYSIS

**TABLE 19**  
**AFFORDABLE GENERAL OCCUPANCY RENTAL DEVELOPMENTS**  
**PRIMARY MARKET AREA**  
**October 2012**

Project Name	Year Built	Total Units	Unit Mix	Unit Size	Monthly Rent	Avg Rent	Rent Per Sq Ft.	Comments/Features
<b>SELECTED AFFORDABLE DEVELOPMENTS IN PMA</b>								
<b>Sibley Cove</b>	2004	40	30 - 2BR	900 - 914	\$850 - \$850	\$850	\$0.93 - \$0.94	Also includes 40 MR units. Tenants pay heat & electric. Water, sewer, trash, and 1 UG stall included in rent.
1996 County Road D East		0	10 - 3BR	1,205 - 1,330	\$980 - \$980	\$980	\$0.74 - \$0.81	
Maplewood		0.0%						
<b>Trails Edge Townhomes</b>	2008	48	27 - 2BR	1,086 - 1,306	\$826 - \$826	\$826	\$0.63 - \$0.76	Affordable at 60% AMI. TH units with attached garage. Residents pay electric and gas.
1726 Woodland Lane		0	21 - 3BR	1,514 - 1,514	\$950 - \$950	\$950	\$0.63 - \$0.63	
Maplewood		0.0%						
<b>Wyngate Townhomes</b>	2006	50	42 - 3BR	1,244 - 1,244	\$1,084 - \$1,084	\$1,084	\$0.87 - \$0.87	Affordable at 60% AMI. TH units with attached garage. Residents pay electric and gas.
1752 Village Trail		0	8 - 4BR	1,740 - 1,740	\$1,182 - \$1,182	\$1,182	\$0.68 - \$0.68	
Maplewood		0.0%						
<b>Rose Hill</b>	1960s/	56	28 - 1BR	630 - 630	\$675 - \$695	\$685	\$1.07 - \$1.10	Affordable at 60% AMI. Part of Ames Lake Development. Also includes 21 MR units. Residents pay electric.
1144 Barclay Street	2003	0	42 - 2BR	785 - 785	\$800 - \$825	\$813	\$1.02 - \$1.05	
St. Paul		0.0%	7 - 3BR	1,310 - 1,310	\$1,100 - \$1,100	\$1,100	\$0.84 - \$0.84	
<b>Barclay Terrace</b>	1960s/	56	28 - 1BR	608 - 608	\$675 - \$695	\$685	\$1.11 - \$1.14	Affordable at 60% AMI. Part of Ames Lake Development. Also includes 21 MR units. Residents pay electric.
1144 Barclay Street	2004	0	42 - 2BR	888 - 888	\$800 - \$825	\$813	\$0.90 - \$0.93	
St. Paul		0.0%	7 - 3BR	1,310 - 1,310	\$1,100 - \$1,100	\$1,100	\$0.84 - \$0.84	
<b>Ames Green</b>	1960s/	40	16 - 1BR	608 - 608	\$675 - \$695	\$685	\$1.11 - \$1.14	Affordable at 60% AMI. Part of Ames Lake Development. Also includes 16 MR units. Residents pay electric.
1100-1165 Barclay Street	2005	0	28 - 2BR	850 - 850	\$800 - \$825	\$813	\$0.94 - \$0.97	
St. Paul		0.0%	6 - 3BR	1,300 - 1,300	\$1,100 - \$1,100	\$1,100	\$0.85 - \$0.85	
			5 - 4BR	1,436 - 1,436	\$1,350 - \$1,375	\$1,363	\$0.94 - \$0.96	
<b>Hazelwood Terrace</b>	1960s/	81	36 - 1BR	665 - 665	\$675 - \$695	\$685	\$1.02 - \$1.05	Affordable at 60% AMI. Part of Ames Lake Development. Also includes 18 MR units. Residents pay electric.
1100-1300 Hazelwood Street	2006	0	54 - 2BR	805 - 805	\$800 - \$825	\$813	\$0.99 - \$1.02	
St. Paul		0.0%	9 - 3BR	1,306 - 1,306	\$1,100 - \$1,100	\$1,100	\$0.84 - \$0.84	
<b>Total Units/Average</b>		371		1,072	\$928		\$0.90	
<b>Vacant Units</b>		0						
<b>Vacancy Rate</b>		0.0%						
Source: Maxfield Research Inc.								

## RENTAL MARKET ANALYSIS

TABLE 20												
AFFORDABLE GENERAL OCCUPANCY RENTAL DEVELOPMENTS												
PRIMARY MARKET AREA												
October 2012												
Project Name	Year Built	Total Units	Unit Mix		Unit Size		Monthly Rent		Avg Rent	Rent Per Sq Ft.		Comments/Features
SELECTED AFFORDABLE DEVELOPMENTS JUST OUTSIDE PMA												
Bear Run Townhomes	1996	22	22 - 3BR		1,200 - 1,200		\$950 - \$950		\$950	\$0.79 - \$0.79		Affordable at 60% AMI. TH units with attached garage. Residents pay electric and gas.
2120-2143 Division Court		0										
White Bear Lake		0.0%										
Willow Ridge Apartments	2007	47	28 - 2BR		914 - 914		\$830 - \$830		\$830	\$0.91 - \$0.91		Affordable at 60% AMI. Tenants pay electric and gas. Heat, water, trash and 1 UG stall included in rent.
1255 County Road D East		0	19 - 3BR		1,205 - 1,205		\$955 - \$955		\$955	\$0.79 - \$0.79		
Vadnais Heights		0.0%										
Hoffman Place	2010	60	6 - 1BR		892 - 985		\$746 - \$746		\$746	\$0.76 - \$0.84		Affordable at 60% AMI. 3 three-story building. Tenants pay electric and gas.
3656 Hoffman Road		0	39 - 2BR		1,062 - 1,241		\$895 - \$895		\$895	\$0.72 - \$0.84		
White Bear Lake		0.0%	15 - 3BR		1,372 - 1,417		\$1,032 - \$1,032		\$1,032	\$0.73 - \$0.75		
Total Units/Average		129			1,087		\$921			\$0.88		
Vacant Units		0										
Vacancy Rate		0.0%										
Source: Maxfield Research Inc.												

## RENTAL MARKET ANALYSIS

**TABLE 21**  
**FEATURES/AMENITIES/UTILITIES**  
**AFFORDABLE GENERAL OCCUPANCY RENTAL DEVELOPMENTS**  
**PRIMARY MARKET AREA**  
**October 2012**

Projects	In-Unit								Common Area											Parking and Utilities						
	Air Conditioning	Refrigerator	Microwave	Garbage Disposal	Dishwasher	Washer/Dryer	Walk-In Closet	Patio/Balcony	Community Room	Laundry Facility	Elevator	Fitness Center	Storage	Indoor Pool	Outdoor Pool	BBQ	Play Area	Walking Trail	Heat/Gas	Electricity	Water/Sewer	Trash	Cable	High Speed Internet	Parking	Parking Fee
Sibley Cove	C	X	X	X	X	FS	X				X	X					X				X	X			UG	Included
Trail's Edge Townhomes	C	X	X	X	X	FS	X	X	X								X				X	X			AG	Included
Wyngate Townhomes	C	X	X	X	X	FS	X	X													X	X			AG	Included
Rose Hill	W	X					X		X	X							X			X		X			DG	\$50-\$75/mo
Barclay Terrace	W	X					X		X	X							X			X		X			DG	\$50-\$75/mo
Ames Green	W	X					X		X	X							X			X		X			DG	\$50-\$75/mo
Hazelwood Terrace	W	X					X		X	X							X			X		X			DG	\$50-\$75/mo
Bear Run Townhomes	C	X		X	X	HU		X													X	X			AG	Included
Willow Ridge Apartments	C	X		X	X	FS	S				X	X	X								X	X			UG	Included
Hoffman Place	C	X	X	X	X	ST	X	X	X		X						X				X	X			UG	Included

C= Central Air Conditioning; W= Wall-Unit Air Conditioning; FS = Full Size; ST = Stackable; HU = Hook-ups; CF = Community Facilities; S = Some; UG = Heated Underground; AG = Attached Garage; DG = Detached Garage; R = Off-Site Ramp, OS = Off-Street

Note: X indicates features/amenities that are available or utilities that are included in the monthly rents.

Sources: Maxfield Research Inc.



- ▶ The overall average rent among the properties in and near the PMA is \$805 or \$0.82 on a per square foot basis. Summary information on the surveyed properties is presented below. The table presents the monthly rent ranges, average rents and sizes, and average price per square foot for each unit type at the surveyed properties.

RENT SUMMARY					
AFFORDABLE DEVELOPMENTS					
October 2012					
Unit Type	Monthly Rents			Weighted	
	Range		Avg.	Avg.	Avg.
	Low	High	Rent	Size	Rent/Sq. Ft.
1BR	\$675	\$746	\$688	\$0	\$0.00
2BR	\$800	\$895	\$713	\$0	\$0.00
3BR	\$950	\$1,375	\$1,023	\$0	\$0.00
4BR	\$1,182	\$1,375	\$1,251	\$0	\$0.00
Weighted Average Overall			<b>\$805</b>	<b>987</b>	<b>\$0.82</b>
Source: Maxfield Research Inc.					

## Pending General Occupancy Rental Developments

There are no general occupancy rental developments planned or pending in the PMA.

## Estimated Demand for General Occupancy Rental Housing

Table 22 presents our calculation of general-occupancy rental housing demand in the PMA. This analysis identifies potential demand for rental housing that is generated from both new households and turnover households. A portion of the demand will be drawn from existing households in the PMA that want to upgrade their housing situations.

First, we calculate potential demand from new household growth by age group based on the propensity of households to rent their housing. For purposes of our analysis, we focus on households between the ages of 18 and 64 that will account for the vast majority of general-occupancy rental demand. Based on our analysis of household growth forecast in specific age cohorts, household growth is only projected in the age 25 to 34 age cohort. Next, we calculate the percentage of household growth that will likely rent their housing. In 2010 the percentage of renters ranged from about 80% among the under 25 age cohort to 27.5% among the 45 to 64 age cohort.

## RENTAL MARKET ANALYSIS

**TABLE 22**  
**RENTAL HOUSING DEMAND**  
**PRIMARY MARKET AREA**  
**2012 to 2020**

		Number of Households				
		Under 25	Age 25 to 34	Age 35 to 44	Age 45 to 64	Age 65 & Over
Demand From Household Growth						
Projected Growth in Household Base by 2020		-313	457	-166	-73	820
(times) Proportion Estimated to Be Renting Their Housing <sup>1</sup>	x	80.3%	50.0%	38.9%	27.5%	26.1%
(equals) Projected Demand for Rental Housing Units	=	0	229	0	0	214
Demand From Existing Households						
Number of renter households in 2012		1,963	7,150	6,725	3,790	6,954
(times) Estimated % of renter turnover between 2012 & 2020 <sup>2</sup>	x	98.8%	98.5%	92.8%	80.1%	65.1%
(equals) Total Existing Renter Households Projected to Turnover	=	1,939	7,043	6,241	3,036	4,527
(times) Estimated % Desiring New Rental Housing	x	5%	10%	10%	5%	5%
(equals) Demand From Existing Households	=	97	704	624	152	226
Total Demand From Household Growth and Existing Households		97	933	624	152	440
Total Demand from Household Growth and Existing Households		1,806				
(plus) Demand from outside Market Area (15%)		319				
(equals) Total Demand for Rental Housing in the PMA		2,124				
		Subsidized	Affordable	Market Rate		
(times) Percent of rental demand by product type <sup>3</sup>	x	30%	30%	40%		
(equals) Total demand for new general occupancy rental housing units	=	637	637	850		
(minus) Units under construction or pending*	-	0	0	0		
(equals) Excess demand for new general occupancy rental housing	=	637	637	850		
(times) Percent of PMA demand capturable by the Gladstone Area	x	10%	10%	10%		
(equals) number of units supportable by the Gladstone Area	=	64	64	85		
<sup>1</sup> Based on 2010 Census data.						
<sup>2</sup> Based on Turnover from 2010 American Community Survey for households moving after 2000.						
<sup>3</sup> Based on the combination of current rental product and household incomes of area renters (non-senior households)						
*Pending/proposed competitive units at 95% occupancy.						
Source: Maxfield Research Inc.						

The second part of our analysis calculates demand from existing households, or turnover demand. Younger households tend to be highly mobile, relative to older households. Mobility rates were calculated for the renter population based on Census data and were applied to the existing renter household base. Finally, we estimate the percentage of the existing renter households that will seek new rental housing versus renting at older properties and apply these proportions to the income-qualified household market turning over.

Combining demand from household growth plus turnover results in total demand in the PMA for 1,806 units over the next eight years. An additional proportion is added for households that would move to a rental project in the PMA who currently reside outside the PMA. We estimate that 15% of the total demand for new rental housing units in the PMA will come from people currently living outside of the PMA. As a result, we find demand for 2,124 renter households based on household growth and existing households alone between 2012 and 2020.

Based on a review of household incomes and sizes and monthly rents at existing projects, we estimate that approximately 30% of the total demand will be for subsidized housing, 30% will be for affordable housing, and 40% will be for market rate housing.

Next we subtract housing projects that are under construction or pending at this time, since these projects will satisfy some of the calculated demand for general occupancy rental housing. However, since there are no rental housing projects moving forward at this time there is no supply subtracted from the demand. Therefore, there is demand in the PMA for 637 subsidized units, 637 affordable units, and 850 market rate units through 2020.

Finally, we estimate that a site in the Gladstone Area can capture 10% of the total PMA demand, resulting in demand for 64 subsidized units, 64 affordable units, and 85 market rate units.

It should be noted demand could be higher to account for pent-up housing demand. With pent-up demand (a shortage of units), people who would normally form their own rental households instead room with other persons in a housing unit, live with their parents, live in single-family rentals, or live in housing outside of the area and commute to jobs. A healthy rental market is expected to have a vacancy rate of about 5% to allow for sufficient consumer choice and unit turnover. In the PMA, we found that the overall vacancy rate was 2.3% among the market rate rental developments and 0% among the affordable rental developments – indicating pent up demand.

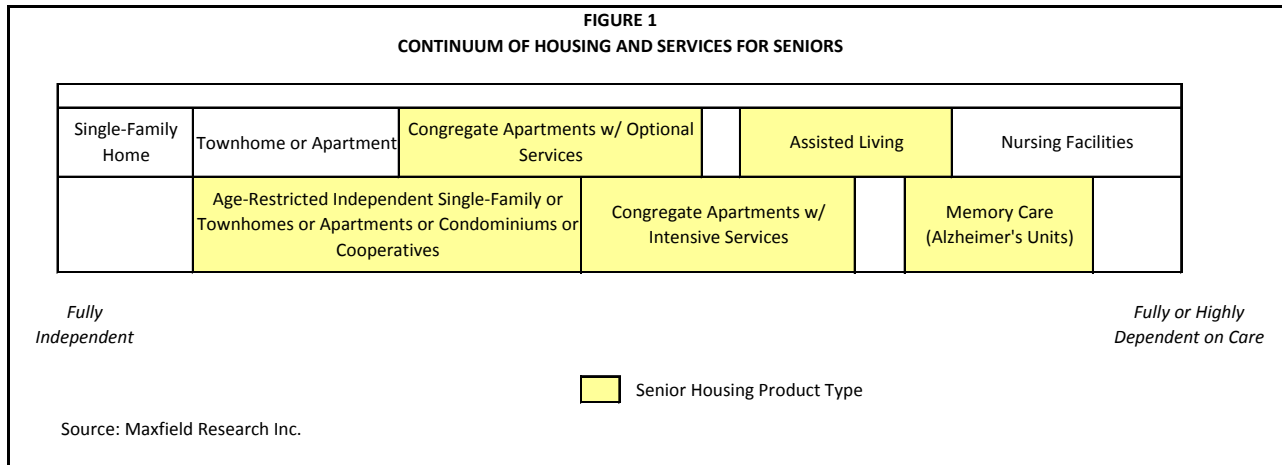
## Senior Housing Market Analysis

The term “senior housing” refers to any housing development that is restricted to people age 55 or older. Today, senior housing includes an entire spectrum of housing alternatives, which occasionally overlap, thus making the differences somewhat ambiguous. However, the level of support services offered best distinguishes them. Maxfield Research Inc. classifies senior housing properties into five categories based on the level of support services offered:

- ▶ **Active Adult** properties (or independent living without services available) are similar to a general-occupancy apartment building, in that they offer virtually no services but have age-restrictions (typically 55 or 62 or older). Organized activities and occasionally a transportation program are usually all that are available at these properties. Because of the lack of services, active adult properties typically do not command the rent premiums of more service-enriched senior housing.
- ▶ **Congregate** properties (or independent living with services available) offer support services such as meals and/or housekeeping, either on an optional basis or a limited amount included in the rents. These properties typically dedicate a larger share of the overall building area to common areas, in part, because the units are smaller than in adult housing and in part to encourage socialization among residents. Congregate properties attract a slightly older target market than adult housing, typically seniors age 75 or older. Rents are also above those of the active adult buildings, even excluding the services. Sponsorship by a nursing home, hospital or other health care organization is common.
- ▶ **Assisted Living** properties come in a variety of forms, but the target market for most is generally the same: very frail seniors, typically age 80 or older (but can be much younger, depending on their particular health situation), who are in need of extensive support services and personal care assistance. Absent an assisted living option, these seniors would otherwise need to move to a nursing facility. At a minimum, assisted living properties include two meals per day and weekly housekeeping in the monthly fee, with the availability of a third meal and personal care (either included in the monthly fee or for an additional cost). Assisted living properties also have either staff on duty 24 hours per day or at least 24-hour emergency response.
- ▶ **Memory Care** properties, designed specifically for persons suffering from Alzheimer’s disease or other dementias, is one of the newest trends in senior housing. Properties consist mostly of suite-style or studio units or occasionally one-bedroom apartment-style units, and large amounts of communal areas for activities and programming. In addition, staff typically undergoes specialized training in the care of this population. Because of the greater amount of individualized personal care required by residents, staffing ratios are much higher than traditional assisted living and thus, the costs of care are also higher. Unlike conventional assisted living, however, which deals almost exclusively with widows or widowers, a higher proportion of persons afflicted with Alzheimer’s disease are in two-person households. That means the decision to move a spouse into a memory care facility involves the

caregiver's concern of incurring the costs of health care at a special facility while continuing to maintain their home.

- **Skilled Nursing Care**, or long-term care facilities, provides a living arrangement that integrates shelter and food with medical, nursing, psychosocial and rehabilitation services for persons who require 24-hour nursing supervision. Residents in skilled nursing homes can be funded under Medicare, Medicaid, Veterans, HMOs, insurance as well as use of private funds.



The senior housing products available today, when combined with long-term care facilities form a full continuum of care, extending from virtually a purely residential model to a medically intensive one. Often the services available at these properties overlap with another making these definitions somewhat ambiguous. In general, active adult properties tend to attract younger active seniors, who merely wish to rid themselves of home maintenance; congregate properties serve independent seniors that desire support services (i.e., meals, housekeeping, transportation, etc.) while assisted living properties tend to attract older, frail seniors who need assistance with daily activities, but not the skilled medical care available only in a nursing facility.



## Senior Housing Developments

Table 23 shows an inventory of existing senior housing facilities located in the PMA. The table provides information on location, year built and number of units.

- ▶ The PMA contains the following senior housing options: four adult ownership facilities, four market rate adult rentals, four affordable adult rentals, three congregate facilities, five assisted living facilities, and five memory care facilities. Existing senior housing provides a total of 1,443 units.
- ▶ Several of the senior housing products are located on campuses which incorporate multiple levels of care services. As many seniors age in place, they prefer to live closer to care services as their needs grow. For example, Shores at Lake Phalen and Seasons of Maplewood, offer congregate, assisted living and memory care housing options. Suite Living, Homestead of Maplewood and Lakeview Commons offer assisted living and memory care housing options.
- ▶ Shores at Lake Phalen is the newest development in the PMA, which opened on November 5, 2012. It is located in the Gladstone neighborhood at Frost Avenue and East Shore Drive.
- ▶ The Mayfield and The Lodge at Little Canada are located just outside the PMA just west of I-35E. Due to market overlap, we include 50% of the units to be competitive.

## Pending Senior Housing Developments

Maxfield Research Inc. interviewed planning staff at the Cities of Maplewood, North St. Paul, Little Canada, and St. Paul to identify any planned or pending senior developments.

### North St. Paul

Trident Development plans to construct a 126-unit senior housing development along Helen Street between Highway 36 and Seppala Boulevard. The development would consist of two buildings with 40 independent units in one building and 66 assisted living units and 20 memory care units in the other building. Trident Development is in the process of putting together documents to start the review and approval process. If the project is approved, construction could begin in late spring 2013.

TABLE 23			
SENIOR HOUSING DEVELOPMENTS			
PRIMARY MARKET AREA			
October 2012			
Project	Location	Year Built	Number of Units/Beds
<b>Active Adult For Sale</b>			
<b><u>Cooperative</u></b>			
Summerhill of Maplewood	Maplewood	2007	44
Realife Cooperative of Phalen Village	St. Paul	2003	59
Cardinal Pointe	Maplewood	2000	108
<b><u>Condominium/Townhomes</u></b>			
Oakhill Condominiums	North St. Paul	2004	77
<b>Active Adult Rental</b>			
<b><u>Market Rate</u></b>			
Rosota Village	Maplewood	2001	70
Gervais Court/Norgard Court	Maplewood	1999	60
Carefree Cottages	Maplewood	1996	32
The Mayfield <sup>1</sup>	Little Canada	1992	93
Woodlynn Village	Maplewood	1990	59
<b><u>Affordable</u></b>			
Phalen Senior Lofts	St. Paul	2007	73
The Lodge at Little Canada <sup>1</sup>	Little Canada	2004	79
Carefree Cottages	Maplewood	1996	216
Hillcrest Cottages	St. Paul	1993	32
Cottages of North St. Paul	North St. Paul	1991	94
<b>Congregate</b>			
Shores at Lake Phalen	Maplewood	Nov. 5 2012	20
Seasons of Maplewood <sup>2</sup>	Maplewood	2010	60
Walker at Hazel Ridge	Maplewood	1987	75
<b>Assisted Living</b>			
Shores at Lake Phalen	Maplewood	Nov. 5 2012	55
Seasons of Maplewood <sup>2</sup>	Maplewood	2010	60
Suite Living	Maplewood	2008	22
Homestead of Maplewood	Maplewood	1995	37
Lakeview Commons	Maplewood	1995	68
<b>Memory Care</b>			
Shores at Lake Phalen	Maplewood	Nov. 5 2012	32
Seasons of Maplewood <sup>2</sup>	Maplewood	2010	30
Suite Living	Maplewood	2008	20
Homestead of Maplewood	Maplewood	1995	24
Lakeview Commons	Maplewood	1995	16
<sup>1</sup> located just outside of PMA west of I-35E			
<sup>2</sup> Seasons of Maplewood has catered living units. Approximately half are congregate and half are assisted living.			
Source: Maxfield Research Inc.			

## Estimated Demand for Independent Adult/Few Service Senior Housing

Table 24 presents our demand calculations for market rate independent senior housing in the PMA in 2012 and 2017. In order to determine demand for independent senior housing, the potential market is reduced to those households that are both age and income qualified. The age-qualified market is defined as seniors age 55 and older, although independent living projects will primarily attract seniors age 65 and older.

We calculate that the minimum income needed to afford monthly rents is \$35,000, since seniors with this income could afford a monthly rent of \$1,000 based on spending 40% of their income. In addition, we add households with incomes between \$25,000 and \$34,999 who would be able to supplement their incomes with the proceeds from a home sale. We estimate the number of age/income-qualified senior households in the PMA in 2012 to be 9,714 households.

TABLE 24						
MARKET RATE ADULT/FEW SERVICES HOUSING DEMAND						
PRIMARY MARKET AREA						
2012 & 2017						
	2012			2017		
	Age of Householder			Age of Householder		
	55-64	65-74	75+	55-64	65-74	75+
# of Households w/ Incomes of >\$35,000 <sup>1</sup>	4,957	2,065	1,828	5,650	2,727	1,933
# of Households w/ Incomes of \$25,000 to \$34,999 <sup>1</sup>	+ 387	338	439	+ 373	342	279
(times ) Homeownership Rate	x 75%	78%	70%	x 75%	78%	70%
(equals) Total Potential Market Base	= 5,249	2,330	2,135	= 5,931	2,995	2,128
(times) Potential Capture Rate	x 0.5%	6.0%	16.5%	x 0.5%	6.0%	16.5%
(equals) Demand Potential	= 26	140	352	= 30	180	351
<b>Potential Demand from Market Area Residents</b>	= 518			= 561		
(plus) Demand from Outside Market Area (25%) <sup>2</sup>	+ 91			+ 99		
<b>(equals) Total Demand Potential</b>	= 610			= 659		
	Owner-Occupied		Renter-Occupied	Owner-Occupied		Renter-Occupied
(times) % by Product Type	x 30%	x	70%	x 30%	x	70%
(equals) Demand Potential by Product Type	= 183	=	427	= 198	=	462
(minus) Existing and Pending MR Active Adult Units <sup>3</sup>	- 274	-	254	- 274	-	254
<b>(equals) Excess Demand for MR Active Adult Units</b>	= 0	=	173	= 0	=	208
(times) Percent capturable by the Gladstone Area	x 10%	x	20%	x 10%	x	20%
<b>(equals) # of units supportable by the Gladstone Area</b>	= 0	=	35	= 0	=	42
<sup>1</sup> 2017 calculations define income-qualified households as all households with incomes greater than \$40,000 and homeowner households with incomes between \$30,000 and \$39,999.						
<sup>2</sup> Based on project manager interviews and historical trends. We estimate that roughly 40% of demand will come from outside the market area.						
<sup>3</sup> Existing and pending are deducted at market equilibrium (95% occupancy).						
Source: Maxfield Research Inc.						

Adjusting to include appropriate long-term capture rates for each age cohort (0.5% of households age 55 to 64, about 6.0% of households age 65 to 74, and 16.5% of households age 75 and over) results in a market rate demand potential for 518 independent senior rental units in 2012.

Some additional demand will come from outside the PMA. We estimate that 15% of demand for independent senior housing will be generated by seniors currently residing outside the PMA. This demand will consist primarily of parents of adult children living in the area, individuals who live just outside of the PMA and have an orientation to the area, as well as former residents who desire to return. Together, the demand from PMA seniors and demand from seniors who would relocate to the PMA results in a demand for 610 active adult units in 2012.

Independent senior demand in the PMA is apportioned between ownership and rental housing. Based on the age distribution, homeownership rates and current product available in the PMA, we project that 30% of the PMA's demand will be for adult ownership housing (183 units) and 70% will be for rental housing (427 units).

Next, we subtract existing competitive market rate units (minus a vacancy factor of 5% to allow for sufficient consumer choice and turnover) from the owner and rental demand. Subtracting the existing competitive market rate units results in total demand potential for 0 adult owner-occupied units and 173 adult rental units in 2012.

No one location can capture all of the excess demand in the PMA. We estimate that the Gladstone Area could capture 10% of demand for owner-occupied senior housing and 20% for renter-occupied. This results in total demand for 0 adult owner-occupied units and 35 adult rental units in the Gladstone Area in 2012.

Adjusting for inflation, we have estimated that households with incomes of \$40,000 or more and homeowners with incomes of \$30,000 to \$39,999 would income qualify for market rate independent senior housing in 2017. Considering the growth in the older adult base and the income distribution of the older adult population in 2017, the methodology projected that demand will remain at 0 adult owner-occupied units and increase to 42 adult rental units in the Gladstone Area by 2017.

## Estimated Demand for Affordable Independent Senior Housing

Table 25 presents our demand calculations for affordable independent senior housing in the PMA in 2012 and 2017.

While the methodology used to calculate demand for affordable housing closely mirrors the methodology used to calculate demand for market rate housing, we make several adjustments to more precisely quantify demand among this market segment. The following points summarize these adjustments:

- **Income-Qualifications:** In order to arrive at the potential age and income-qualified base for low-income and affordable housing, we include all senior households age 55+ that qualify for the income guidelines for one- and two-person households in 2012 between 30% and 60% of AMI. The income-restriction for a one-person household at 30% AMI is \$17,640 and the income-restriction for a two-person household at 60% AMI is \$40,320.
- **Capture Rates:** Households in a need-based situation (either requiring services or financial assistance) more readily move to housing alternatives than those in non-need based situations. Hence, the capture rate among each age group is higher than for market rate housing. Capture rates are employed at 1.5% for households age 55 to 64, 10.0% for households age 65 to 74 and 20.0% for households age 75 and older.
- **Potential Demand Capture:** Seniors in need-based situations are less selective when securing housing than those in non-need based situations. We estimate that a high-quality site would capture a greater proportion of total demand for financially-assisted housing than for market rate housing; hence, the potential capture rate increases to 30% for affordable active adult housing.

Using the methodology described above results in a demand potential for 94 affordable active adult housing units in 2012. We estimate that seniors currently residing outside the PMA will generate 25% of the demand for affordable active adult housing – increasing demand to 126 affordable units. Demand for outside the PMA includes parents of adult children living in the PMA, individuals who live just outside the PMA and have an orientation to the area and former residents who desire to return upon retirement.

Next we subtract existing competitive units. There is a substantial supply of affordable independent developments in the PMA with 454 units. Given that a greater proportion of residents come from outside of the PMA, we only consider 75% of the units to be competitive with the Gladstone area. After subtracting the existing units at 95% occupancy, there is no demand in 2012.

Adjusting for inflation, we estimate that households with incomes between \$19,640 and \$42,320 would qualify for affordable housing in 2017. Although growth in senior households is projected, the age-income qualified base for affordable housing is shown to decline in the PMA



through 2017. Following the same methodology, we project that there will not be excess demand capturable in the Gladstone Area due to the large supply of affordable senior housing developments.

TABLE 25						
AFFORDABLE INDEPENDENT SENIOR HOUSING DEMAND						
PRIMARY MARKET AREA						
2012 & 2017						
	2010			2017		
	Age of Householder			Age of Householder		
	55-64	65-74	75+	55-64	65-74	75+
# of Households w/ Incomes of \$17,640 to \$40,320 <sup>1</sup>	870	918	1,181	756	816	793
(times ) Percent Renter Households	x 25%	22%	30%	x 25%	22%	30%
(equals) Total Potential Market Base	= 218	202	354	189	180	238
(times) Potential Capture Rate	x 1.5%	10.0%	20.0%	x 1.5%	10.0%	20.0%
(equals) Demand Potential	= 3	20	71	= 3	18	48
Total Market Rate Demand Potential	= 94			= 68		
(plus) Demand from Outside Market Area (25%)	+ 31			+ 23		
(equals) Total Demand Potential	= 126			= 91		
(minus) Existing and Pending Independent Units <sup>2</sup>	- 323			- 323		
(equals) Total Demand Potential in Market Area	= 0			= 0		
(times) Estimated Percent Capturable by the Gladstone Area	x 20%			x 20%		
(equals) Excess Demand Capturable by the Gladstone Area	= 0			= 0		
<sup>1</sup> 2017 calculations define income-qualified households as all households with incomes between \$19,640 and \$42,320						
<sup>2</sup> Includes existing and pending units at 95% occupancy, or market equilibrium. No additional units are planned through 2017.						
Source: Maxfield Research Inc.						

## Estimated Demand for Congregate Senior Housing

Table 26 presents our demand calculations for congregate housing in the PMA in 2012 and 2017.

The potential age- and income-qualified base for congregate senior housing includes all senior (65+) households with incomes of \$35,000 as well as homeowner households with incomes between \$25,000 and \$35,000 who would qualify with the proceeds from the sales of their homes. The proportion of eligible homeowners is based on the 2010 Census homeownership rates of the PMA seniors. The number of age, income, and asset-qualified households in the PMA is estimated to be 4,464 households in 2012.

Demand for congregate housing is somewhat need-driven, which reduces the qualified market to only the portion of seniors who need some assistance. Thus, the age/income-qualified base

is multiplied by the percentage of seniors who need some assistance with IADLs, but no more than three, as frailer seniors would need the level of care found in assisted living.

According to the Summary Health Statistics of the U.S. Population: National Health Interview Survey, 2008 (conducted by the U.S. Department of Health and Human Services), the percentage of seniors having limitation in activities of daily living (bathing, dressing, toileting, transferring, eating) and instrumental activities of daily living (using the telephone, shopping, food preparation, housekeeping, laundry, transportation, taking medication, handling finances) are as follows:

<u>Age</u>	<u>Limitation in ADLs &amp; IADLs</u>	
	<u>ADLs</u>	<u>IADLs</u>
65-74 years	3.4%	6.9%
75+ years	10.0%	19.2%

It is most likely that seniors who need assistance with ADLs also need assistance with multiple IADLs, and are more likely to be candidates for assisted living. The prime candidates for congregate housing are seniors needing assistance with IADLs, but not ADLs. We derive this percentage by subtracting the percentage of seniors needing assistance with ADLs from those needing assistance with IADLs, which equates to 3.5% of seniors ages 65 to 74 and 9.2% of seniors ages 75+. However, given our experience in senior housing, we find that in Minnesota, the vast majority of seniors residing in congregate senior housing are over age 75 at move in. As a result, we use capture rates of 1.5% for senior households age 65 to 74 and 11% for senior households age 75 or older.

Multiplying the senior household base by these capture rates results in demand potential for 270 units of congregate in the PMA.

We estimate that seniors currently residing outside of the PMA will generate 15% of the demand for congregate senior housing. Together, the demand from PMA seniors and demand from seniors who are willing to locate to the PMA totals 317 congregate units in 2012.

Next we subtract existing competitive units from the overall demand. There are 155 congregate units in the PMA. After subtracting existing congregate units at 95% occupancy, the total demand is reduced to 170 units. No single location can capture all of the demand in a market area. We estimate that 20% of total demand can be captured in the Gladstone Area. Demand is calculated for 34 congregate units in 2012.

Adjusting for inflation, we estimate that households with incomes of \$40,000 or more and senior homeowners with incomes between \$30,000 and \$39,999 would qualify for congregate housing in 2017. We include the 40 units at the Trident Development in North St. Paul in the pending developments. Following the same methodology, demand is calculated to decline slightly to 29 units through 2017.

TABLE 26						
MARKET RATE CONGREGATE HOUSING DEMAND						
PRIMARY MARKET AREA						
2012 & 2017						
	2012			2017		
	Age of Householder			Age of Householder		
	65-74	75+		65-74	75+	
# of Households w/ Incomes of >\$35,000 <sup>1</sup>	2,065	1,828		2,727	1,933	
# of Households w/ Incomes of \$25,000 to \$34,999 <sup>1</sup>	+ 338	439		+ 342	279	
(times) Homeownership Rate	x 78%	70%		x 78%	70%	
(equals) Potential Market	= 264	307		= 267	195	
(equals) Total Potential Market Base	= 2,329	2,135		= 2,994	2,128	
(times) Potential Capture Rate <sup>2</sup>	x 1.5%	11.0%		x 1.5%	11.0%	
(equals) Demand Potential	= 35 + 235			= 45 + 234		
<b>Potential Demand from Market Area Residents</b>	= 270			= 279		
(plus) Demand from Outside Market Area (15%)	+ 48			+ 49		
<b>(equals) Total Demand Potential</b>	= 317			= 328		
(minus) Existing and Pending Congregate Units <sup>3</sup>	- 147			- 185		
<b>(equals) Excess Demand for Congregate Units</b>	= 170			= 143		
(times) Percent capturable by the Gladstone Area	20%			20%		
<b>(equals) # of units supportable by the Gladstone Area</b>	34			29		

<sup>1</sup> 2017 calculations define income-qualified households as all households with incomes greater than \$40,000 and homeowner households with incomes between \$30,000 and \$39,999.

<sup>2</sup>The potential capture rate is derived from data from the Summary Health Statistics for the U.S. Population: National Health Interview Survey, 2007 by the U.S. Department of Health and Human Services. The capture rate used is the percentage of seniors needing assistance with IADLs, but not ADLs (seniors needing assistance with ADLs typically need assistance with multiple IADLs and are primary candidates for assisted living.).

<sup>3</sup> Existing and pending are deducted at market equilibrium (95% occupancy).

Source: Maxfield Research Inc.

## Estimated Demand for Assisted Living Housing

Table 27 presents our demand calculations for assisted living senior housing in the PMA in 2012 and 2017. This analysis focuses on the potential *private pay/market rate* demand for assisted living units.

The availability of more intensive support services such as meals, housekeeping and personal care at assisted living facilities usually attracts older, frailer seniors. According to the 2009 Overview of Assisted Living (which is a collaborative research project by the American Association of Homes and Services for the Aging, the American Seniors Housing Association, National Center for Assisted Living, and National Investment Center for the Seniors Housing and Care Industry), the average age of residents in freestanding assisted living facilities was 87 years

in 2008. Hence, the age-qualified market for assisted living is defined as seniors ages 75 and over, as we estimate that of the half of demand from seniors under age 87, almost all would be from seniors over age 75. In 2012, there were an estimated 5,539 seniors age 75 and older in the PMA.

Demand for assisted living housing is need-driven, which reduces the qualified market to only the portion of seniors who need assistance. According to a study completed by the U.S. Census Bureau (1999 panels of the Survey of Income and Program Participation (SIPP) files), 30% of seniors needed assistance with everyday activities (from 22.5% of 75-to-79-year-olds, to 33.6% of 80-to-84-year-olds and 51.6% of 85+ year olds). Applying these percentages to the senior population yields a potential assisted living market of 2,030 seniors in the PMA.

Due to the supportive nature of assisted living housing, most daily essentials are included in monthly rental fees, which allow seniors to spend a higher proportion of their incomes on housing with basic services. Therefore, the second step in determining the potential demand for assisted living housing in the PMA is to identify the income-qualified market based on a senior's ability to pay the monthly rent. We consider seniors in households with incomes of \$40,000 or greater to be income-qualified for assisted living senior housing in the PMA. Households with incomes of \$40,000 could afford monthly assisted living fees of \$3,000 by allocating 90% of their income toward the fees.

According to the 2009 Overview of Assisted Living, the average arrival income of assisted living residents in 2008 was \$27,260, while the average annual assisted living fee was \$37,281 (\$3,107/month). This data highlights that seniors are spending down assets to live in assisted living and avoid institutional care. Thus, in addition to households with incomes of \$30,000 or greater, there is a substantial base of senior households with lower incomes who income-qualify based on assets – their homes, in particular.

Seventy percent of the age 75+ households in the PMA are homeowners, and the median resale price of single-family homes through year to date 2012 in Maplewood was \$149,700. Seniors selling their homes for the median resale price would generate about \$139,220 in proceeds after selling costs. With an average monthly fee of \$3,500, these proceeds would last about three and a half years in an assisted living facility, which is significantly higher than the average length of stay in assisted living (27 months according to the 2009 Overview of Assisted Living). For each age group in Table 22, we estimate the income-qualified percentage to be all seniors in households with incomes above \$40,000 (who could afford monthly rents of \$3,500+ per month) plus 25% of the estimated seniors in homeowner households with incomes below \$40,000 (who will spend down assets, including home-equity, in order to live in assisted living housing). This results in a total potential market of 1,087 units from the PMA.

## SENIOR HOUSING DEMAND ANALYSIS

TABLE 27  
MARKET RATE ASSISTED LIVING DEMAND  
PRIMARY MARKET AREA  
2012 & 2017

	2012					2017				
	People	Percent Needing Assistance <sup>1</sup>	Number Needing Assistance	Percent Income- Qualified <sup>2</sup>	Number Income- Qualified	People	Percent Needing Assistance <sup>1</sup>	Number Needing Assistance	Percent Income- Qualified <sup>2</sup>	Number Income- Qualified
Age group										
75 - 79	1,996	25.5%	509	57%	290	2,000	25.5%	510	57%	291
80 - 84	1,705	33.6%	573	53%	304	1,586	33.6%	533	53%	282
85+	1,838	51.6%	948	52%	493	1,885	51.6%	973	52%	506
Total	5,539		2,030		1,087	5,471		2,016		1,079
Total potential market					1,087					1,079
(times) Percent living alone				x	54%				x	54%
(equals) Age/income-qualified singles needing assistance				=	587				=	583
(plus) Proportion of demand from couples (12%) <sup>3</sup>				+	80				+	79
(equals) Total age/income-qualified market needing assistance				=	667				=	662
(times) Potential penetration rate <sup>4</sup>				x	40%				x	40%
<b>(equals) Potential Demand from Market Area Residents</b>				=	267				=	265
(plus) Demand from outside Market Area (15%)				+	47				+	47
(equals) Total Demand Potential				=	314				=	312
(minus) Existing and Pending Assisted Living Units <sup>5</sup>				-	191				-	243
<b>(equals) Excess Demand for Assisted Living Units</b>				=	123				=	68
(times) Percent capturable by the Gladstone Area				x	20%				x	20%
<b>(equals) # of units supportable by the Gladstone Area</b>				=	25				x	14
<b>Note:</b> See footnotes on the following page										
Source: Maxfield Research Inc.										



<sup>1</sup> The percentage of seniors unable to perform or having difficulty with ADLs, based on the publication Health, United States, 1999 Health and Aging Chartbook, conducted by the Centers for Disease Control and Prevention and the National Center for Health Statistics.

<sup>2</sup> Includes households with incomes \$40,000 and above (who could afford monthly rents of \$3,000+ per month) plus 40% of the estimated owner households with incomes below \$40,000 (who will spend down assets, including home-equity, in order to live in assisted living housing).

<sup>3</sup> The 2009 Overview of Assisted Living (a collaborative project of AAHSA, ASHA, ALFA, NCAL & NIC) found that 12% of assisted living residents are couples.

<sup>4</sup> We estimate that 60% of the qualified market needing assistance with ADLs could either remain in their homes or reside at less advanced senior housing with the assistance of a family member or home health care, or would need greater care provided in a skilled care facility.

<sup>5</sup> Existing assisted living units less units occupied by public pay residents and a 7% vacancy rate.

Because the vast majority of assisted living residents are single (88% according to the 2009 Overview of Assisted Living), our demand methodology multiplies the total potential market by the percentage of seniors age 75+ in the PMA living alone. Based on 2010 Census data, 54% of age 75+ households in Maplewood lived alone. Applying this percentage results in a total base of 587 age/income-qualified singles. The 2009 Overview of Assisted Living found that 12% of residents in assisted living were couples. There are a total of 667 age/income-qualified seniors needing assistance in the PMA including both couples and singles.

We estimate that roughly 60% of the qualified market needing significant assistance with Activities of Daily Living (“ADLs”) would either remain in their homes or less service-intensive senior housing with the assistance of a family member or home health care, or would need greater care provided in a skilled care facility. The remaining 40% could be served by assisted living housing. Applying this potential market penetration rate of 40% results in demand for 267 assisted living units in 2012.

We estimate that a portion of demand for assisted living units (15%) will come from outside of the PMA. Applying this figure results in total potential demand for 314 market rate assisted living units in the PMA.

There are a total of five assisted living facilities in the PMA with a total of 242 units. We subtract existing units at 93% occupancy to allow for sufficient consumer choice and turnover. We also subtract 15% of the total units to account for units occupied by residents with financial assistance, or Elderly Waivers. After deducting these competitive units from the total demand potential, there is excess demand potential for 123 assisted living units in the PMA.

No single site can capture all of the demand in the PMA. We estimate that the Gladstone Area could capture approximately 20% of the PMA excess demand for a total of 25 assisted living units in 2012.

The same calculations are applied to the age/income-qualified base in 2017. We include the 66 units at the Trident Development in North St. Paul in the pending developments. Following the same methodology, demand is calculated to decline to 14 units through 2017.

## Estimated Demand for Memory Care Housing

Table 28 presents our demand calculations for market rate memory care senior housing in the PMA in 2012 and 2017. Demand is calculated by starting with the estimated PMA senior (age 65+) population in 2012 and multiplying by the incidence rate of Alzheimer's/dementia among this population's age cohorts. According to the Alzheimer's Association (Alzheimer's Disease Facts and Figures, 2007), 2% of seniors ages 65 to 74, 19% of seniors ages 75 to 84, and 42% of seniors ages 85+ are inflicted with Alzheimer's Disease. This yields a potential market of 1,579 seniors in the PMA.

Because of the staff-intensive nature of dementia care, typical monthly fees for this type of housing are at least \$4,000 and range upwards of \$5,000 when including service packages. Based on our review of senior household incomes in the PMA, homeownership rates and home sale data, we estimate that 35% of seniors in the PMA would have incomes and/or assets to sufficiently cover the costs of memory care housing. This figure takes into account married couple households where one spouse may have memory care needs and allows for a sufficient income for the other spouse to live independently. Multiplying the number of seniors with Alzheimer's/dementia (1,579 seniors) by the income-qualified percentage results in a total of 552 age/income-qualified seniors in the PMA in 2012.

According to data from the National Institute of Aging, about 25% of all individuals with memory care impairments comprise the market for memory care housing units. This figure considers that seniors in the early stages of dementia will be able to live independently with the care of a spouse or other family member, while those in the later stages of dementia will require intensive medical care that would only be available in skilled care facilities. Applying this figure to the estimated population with memory impairments yields a potential market of about 138 seniors in the PMA.

We estimate that 15% of the overall demand for memory care housing would come from outside of the PMA. Together, demand totals 162 memory care units in 2012. We also subtract 15% of the total units to account for units occupied by residents with financial assistance, or Elderly Waivers. After deducting these competitive units from the total demand potential, there is excess demand potential for 66 memory care units in the PMA.

No single site can capture all of the demand in the PMA. We estimate that the Gladstone Area could capture approximately 20% of the PMA excess demand for a total of 13 memory care units in 2012.

The same calculations are applied to the age/income-qualified base in 2017. We include the 20 units at the Trident Development in North St. Paul in the pending developments. Following the same methodology, demand is calculated to decline to 11 units through 2017.

TABLE 28		
MEMORY CARE DEMAND		
PRIMARY MARKET AREA		
2012 & 2017		
	2012	2017
65 to 74 Population	5,168	6,788
(times) Dementia Incidence Rate <sup>1</sup>	x 2%	x 2%
(equals) Estimated Age 65 to 74 Pop. with Dementia	= 103	= 136
75 to 84 Population	3,701	3,586
(times) Dementia Incidence Rate <sup>1</sup>	x 19%	x 19%
(equals) Estimated Age 75 to 84 Pop. with Dementia	= 703	= 681
85+ Population	1,838	1,885
(times) Dementia Incidence Rate <sup>1</sup>	x 42%	x 42%
(equals) Estimated Age 85+ Pop. with Dementia	= 772	= 792
<b>(equals) Total Senior Population with Dementia</b>	<b>= 1,579</b>	<b>= 1,609</b>
(times) Percent Income/Asset-Qualified <sup>2</sup>	x 35%	x 35%
(equals) Total Income-Qualified Market Base	= 552	= 563
(times) Percent Needing Specialized Memory Care Assistance	x 25%	x 25%
(equals) Total Need for Dementia Care	= 138	= 141
(plus) Demand from Outside Market Area (15%)	+ 24	+ 25
Total Demand Potential	= 162	= 166
(minus) Existing and Pending Memory Care Units <sup>3</sup>	- 96	- 112
<b>(equals) Excess Demand for Memory Care Units</b>	<b>= 66</b>	<b>= 53</b>
(times) Percent capturable by a Site in the Gladstone Area	x 20%	x 20%
<b>(equals) # of units supportable by a Site in the Gladstone Area</b>	<b>= 13</b>	<b>= 11</b>
<sup>1</sup> Alzheimer's Association: Alzheimer's Disease Facts & Figures (2007)		
<sup>2</sup> Income-qualified households consider 3/4 of those with incomes greater than \$60,000 in 2010 plus 15% of homeowners with incomes below this threshold.		
<sup>3</sup> Existing memory care units less units occupied by public pay residents and a 7% vacancy rate.		
Source: Maxfield Research Inc.		

## Introduction

This section presents and analyzes information relating to the condition of the retail market and the potential for future retail development in the PMA. The potential for new retail development in Maplewood is greatly influenced by overall market conditions in the PMA. Information analyzed in this section includes consumer expenditures by PMA residents, retail sales trends, regional retail development trends, and an inventory of competitive retail shopping centers. Based on an analysis of this information, calculations of the retail potential in the PMA to 2020 are presented.

## Consumer Expenditures

Table 29 shows consumer expenditures for retail goods and services in the PMA in 2012, according to data obtained from ESRI based on Consumer Expenditure Surveys from the Bureau of Labor Statistics. The table shows the average expenditures per household and the amount spent in the PMA by product or service. In addition, a Spending Potential Index (SPI) is illustrated for comparison purposes. The SPI is based on households and represents the amount spent for a product or service relative to the national average index of 100. An SPI of 115 shows that the average annual expenditure by local consumers is 15% above the national average. For comparison purposes, the SPI for the Twin Cities Metro Area is also included. The average expenditure reflects the average amount spent per household, while the total expenditure reflects the aggregate amount spent by all households in the area.

Consumer spending is influenced by market conditions and trends. In times of economic troubles, market conditions drive spending patterns, whereas in times of a booming economy consumer trends feature opportunity. Two-thirds of the national economy is driven by consumer spending. During the current recession, households have decreased spending on luxury goods and large purchases; however, purchases of convenience goods and services remained stable.

- ▶ Overall, residents from the PMA are estimated to spend approximately \$874 million on retail goods and services in 2012, excluding housing and finance/insurance expenditures.
- ▶ Average annual expenditures are estimated to be \$46,518 per household in the PMA. Excluding housing and finance/insurance expenditures, the annual expenditures are \$23,888 in the PMA.
- ▶ In every product and service category, expenditures by PMA households are lower than the national average and the Twin Cities Metro Area. On average, PMA households spend 36% less than a household in the Metro Area. Average annual expenditures in the Metro Area are estimated to be \$63,620, compared to \$46,518 per household in the PMA. Excluding housing and finance/insurance expenditures, the Metro Area is estimated to have about \$32,400 in household expenditures, compared to \$23,900 in the PMA.

**TABLE 29**  
**HOUSEHOLD EXPENDITURES BY SELECTED PRODUCT TYPE**  
**PRIMARY MARKET AREA**  
**2012**

Category	PMA Annual Expenditures		MSA Expenditures	Spending Potential Index to USA	
	Total (\$000's)	Average Per HH	Average Per HH	Primary Draw Area	MSP/St. Paul MSA
<b>Goods &amp; Services</b>				<b>Index</b>	<b>Index</b>
Apparel & Services	53,332	1,458	1,987	63	86
Entertainment and Recreation	101,538	2,776	3,818	89	122
Nonprescription Drugs	3,103	85	112	85	112
Prescription Drugs	15,241	417	532	86	110
Eye Glasses & Contact Lenses	2,423	66	89	89	119
Personal Care Products	12,567	344	465	89	120
Day Care	14,643	400	581	89	130
School Books & Supplies	3,483	95	129	92	124
Smoking Products	13,489	369	465	89	112
Computer Hardware	6,052	165	229	89	123
Computer Software	902	25	34	89	124
Pets	36,715	440	603	106	144
<b>Food</b>				<b>Index</b>	<b>Index</b>
Food at Home	141,385	3,866	5,112	89	118
Food Away from Home	102,404	2,800	3,786	90	121
Alcoholic Beverages	18,704	511	693	92	125
Misc. Beverages at Home	13,828	378	500	89	118
<b>Home</b>				<b>Index</b>	<b>Index</b>
Home Mortgage Payment/Rent	290,501	7,943	11,345	87	125
Maintenance & Remodeling Services	61,026	1,669	2,378	87	124
Maintenance & Remodeling Materials	10,740	294	412	82	114
Utilities	142,771	3,904	5,129	89	117
<b>Household Furnishings, Equipment, &amp; Operations</b>				<b>Index</b>	<b>Index</b>
Household Textiles	4,123	113	155	87	121
Furniture	18,706	511	718	88	123
Floor Coverings	2,408	66	90	91	123
Major Appliances	9,124	249	342	85	116
Small Appliances	1,028	28	37	88	118
Housewares	2,396	66	89	78	107
Luggage	290	8	11	88	125
Telephone & Accessories	913	25	34	60	84
Lawn & Garden	12,500	342	475	84	117
Moving/Storage/Freight Express	1,838	50	71	85	120
Housekeeping Supplies	21,908	599	799	88	118
<b>Financial &amp; Insurance</b>				<b>Index</b>	<b>Index</b>
Investments	50,166	1,372	1,911	81	113
Vehicle Loans	148,717	4,066	5,579	85	117
Owners & Renters Insurance	14,086	385	525	86	117
Vehicle Insurance	36,715	1,004	1,343	89	119
Life/Other Insurance	12,753	349	475	86	118
Health Insurance	60,216	1,646	2,135	88	114
<b>CONTINUED</b>					



TABLE 29					
(CONTINUED)					
HOUSEHOLD EXPENDITURES BY SELECTED PRODUCT TYPE					
PRIMARY MARKET AREA					
2012					
Category	Annual Expenditures		Metro Area	Spending Potential Index to USA	
	Total (\$000's)	Average Per HH	Average Per HH	Primary Draw Area	MSP/St. Paul MSA
<b>Transportation</b>				<b>Index</b>	<b>Index</b>
Cars and Trucks (Net Outlay)	134,489	3,677	5,060	86	119
Gasoline and Motor Oil	88,581	2,422	3,233	87	116
Vehicle Maintenance/Repair	29,482	806	1,090	88	119
<b>Travel</b>				<b>Index</b>	<b>Index</b>
Airline Fares	14,631	400	567	90	128
Lodging	13,535	370	522	88	124
Vehicle Rental	1,184	32	47	91	130
Food & Drink	13,462	368	514	87	122
<b>Summary</b>					
<b>Goods &amp; Services</b>	226,772	6,200	8,442		
<b>Food</b>	276,321	7,555	10,091		
<b>Home</b>	505,038	13,808	19,263		
<b>Household</b>	75,234	2,057	2,821		
<b>Financial and Insurance</b>	322,652	8,822	11,969		
<b>Transportation</b>	252,551	6,905	9,383		
<b>Travel</b>	42,812	1,171	1,650		
<b>Total</b>	<b>1,701,379</b>	<b>46,518</b>	<b>63,620</b>		
<b>Note:</b> The Spending Potential Index is based on households and represents the amount spent for a product or service relative to the national average of 100.					
Sources: ESRI; Maxfield Research Inc.					

- Housing expenses account for nearly 50% of total consumer expenditures in the PMA. High household expenditures may account for a higher proportion of younger households who spend more than seniors.

## Retail Gap Assessment

Table 30 shows retail sales supply and demand assessment for the PMA as of 2010. This data was gathered from ESRI and is based on the North American Industry Classification System (NAICS) to classify businesses by their primary type of economic activity. Information on the amount of retail sales by product line provides a picture of the potential opportunities that may exist in the area to support various types of retail outlets. Maxfield Research Inc. adjusted the data based on 2010 Census figures.

The Leakage/Surplus factor measures the relationship between supply and demand and ranges from +100 (total leakage) to -100 (total surplus). A positive value represents "leakage" of retail opportunity outside the trade area. A negative value represents a surplus of retail sales, a market where customers are drawn in from outside the trade area. Supply (retail sales) estimates sales to consumers by establishments; sales to businesses are excluded. Demand (retail potential) estimates the expected amount spent by consumers at a retail establishment. All figures are quoted in 2010 dollars.

- ▶ The table shows supply-side gaps in the majority of categories, indicating potential demand for retail goods and services in the area. Overall, the PMA exhibits a leakage factor of 20.5, indicating a leakage of expenditures to retailers located outside of the PMA.
- ▶ Three industries in the PMA showed a surplus of retail sales:
  - Lawn and Garden Equipment and Supplies Stores (-5.4)
  - Jewelry, Luggage, and Leather Goods Stores (-13.1) and
  - Used Merchandise Stores (-21.9).
- ▶ Categories with very small surplus proportions (those under 10) also have potential to draw in customers from outside the trade area.
  - Limited-Service Eating Places (2.3)
  - Auto Parts, Accessories, and Tire Stores (3.2)
  - Vending machine Operators (5.8)
- ▶ The largest retail gaps (supply) are in the following industries:
  - Direct Selling Establishments (92.9)
  - Electronic Shopping and Mail-Order Houses (71.5)
  - Home Furnishings Stores (67.3)
  - Specialty Food Stores (46.2)
- ▶ Some of the gaps are unlikely to be filled by traditional retail development in Maplewood as market dynamics for space consumptions dictate different formulas. In particular, this pertains to big-box users. Market niches exist in many categories where a "small-town" location can be successful, most notable specialty gifts/accessories, food and beverages, hobbies/sporting goods, and miscellaneous items depending on the concentration of potential customers.

# RETAIL MARKET ANALYSIS

TABLE 30					
RETAIL DEMAND POTENTIAL AND LEAKAGE					
PRIMARY MARKET AREA					
2010					
Industry Group (NAICS Code)	Demand (Retail Potential)	Supply (Retail Sales)	Retail Gap (Demand - Supply)	Surplus / Leakage Factor	Number of Businesses
SUMMARY					
Total Retail Trade and Food & Drink (NAICS 44-45, 722)	\$922,002,442	\$608,363,232	\$313,639,209	20.5	576
Total Retail Trade (NAICS 44-45)	\$781,642,151	\$509,753,065	\$271,889,086	21.1	424
Total Food & Drink (NAICS 722)	\$140,360,291	\$98,610,167	\$41,750,124	17.5	152
EXPENDITURE TYPE					
Motor Vehicle & Parts Dealers (NAICS 441)	\$178,106,650	\$120,902,464	\$57,204,186	19.1	41
Automobile Dealers (NAICS 4411)	\$155,959,094	\$106,835,049	\$49,124,045	18.7	14
Other Motor Vehicle Dealers (NAICS 4412)	\$11,884,816	\$4,441,655	\$7,443,162	45.6	9
Auto Parts, Accessories, and Tire Stores (NAICS 4413)	\$10,262,740	\$9,625,761	\$636,980	3.2	18
Furniture & Home Furnishings Stores (NAICS 442)	\$23,624,472	\$11,775,478	\$11,848,993	33.5	20
Furniture Stores (NAICS 4421)	\$14,314,205	\$9,953,667	\$4,360,538	18.0	11
Home Furnishings Stores (NAICS 4422)	\$9,310,266	\$1,821,811	\$7,488,455	67.3	9
Electronics & Appliance Stores (NAICS 443/NAICS 4431)	\$23,046,306	\$14,539,559	\$8,506,747	22.6	25
Bldg Materials, Garden Equip. & Supply Stores (NAICS 444)	\$25,708,591	\$20,481,889	\$5,226,702	11.3	28
Building Material and Supplies Dealers (NAICS 4441)	\$23,606,143	\$18,139,948	\$5,466,195	13.1	21
Lawn and Garden Equipment and Supplies Stores (NAICS 4442)	\$2,102,448	\$2,341,941	(\$239,493)	(5.4)	7
Food & Beverage Stores (NAICS 445)	\$153,569,154	\$101,342,683	\$52,226,470	20.5	68
Grocery Stores (NAICS 4451)	\$137,264,093	\$93,163,650	\$44,100,443	19.1	38
Specialty Food Stores (NAICS 4452)	\$4,429,409	\$1,629,552	\$2,799,858	46.2	12
Beer, Wine, and Liquor Stores (NAICS 4453)	\$11,875,651	\$6,549,481	\$5,326,170	28.9	18
Health & Personal Care Stores (NAICS 446/NAICS 4461)	\$26,540,217	\$21,212,273	\$5,327,944	11.2	40
Gasoline Stations (NAICS 447/NAICS 4471)	\$128,501,232	\$74,537,371	\$53,963,861	26.6	21
Clothing and Clothing Accessories Stores (NAICS 448)	\$32,503,223	\$27,445,433	\$5,057,791	8.4	65
Clothing Stores (NAICS 4481)	\$27,119,714	\$21,715,904	\$5,403,810	11.1	43
Shoe Stores (NAICS 4482)	\$3,010,810	\$2,641,395	\$369,415	6.5	9
Jewelry, Luggage, and Leather Goods Stores (NAICS 4483)	\$2,372,699	\$3,088,134	(\$715,434)	(13.1)	13
Sporting Goods, Hobby, Book, and Music Stores (NAICS 451)	\$9,844,235	\$7,052,290	\$2,791,946	16.5	28
Sporting Goods/Hobby/Musical Instrument Stores (NAICS 4511)	\$6,357,050	\$5,362,899	\$994,151	8.5	21
Book, Periodical, and Music Stores (NAICS 4512)	\$3,487,185	\$1,689,391	\$1,797,794	34.7	7
General Merchandise Stores (NAICS 452)	\$117,719,990	\$96,564,197	\$21,155,793	9.9	17
Department Stores Excluding Leased Depts. (NAICS 4521)	\$47,213,012	\$38,379,737	\$8,833,275	10.3	10
Other General Merchandise Stores (NAICS 4529)	\$70,506,978	\$58,184,460	\$12,322,518	9.6	7
Miscellaneous Store Retailers (NAICS 453)	\$14,137,580	\$6,980,550	\$7,157,030	33.9	66
Florists (NAICS 4531)	\$1,890,194	\$1,333,382	\$556,812	17.3	8
Office Supplies, Stationery, and Gift Stores (NAICS 4532)	\$3,918,163	\$1,699,818	\$2,218,346	39.5	16
Used Merchandise Stores (NAICS 4533)	\$602,477	\$940,317	(\$337,840)	(21.9)	15
Other Miscellaneous Store Retailers (NAICS 4539)	\$7,726,745	\$3,007,033	\$4,719,712	44.0	27
Nonstore Retailers (NAICS 454)*	\$48,340,500	\$6,918,879	\$41,421,622	75.0	5
Electronic Shopping and Mail-Order Houses (NAICS 4541)	\$36,791,018	\$6,108,057	\$30,682,962	71.5	1
Vending Machine Operators (NAICS 4542)	\$448,588	\$399,794	\$48,794	5.8	3
Direct Selling Establishments (NAICS 4543)	\$11,100,895	\$411,028	\$10,689,866	92.9	1
Food Services & Drinking Places (NAICS 722)	\$140,360,291	\$98,610,167	\$41,750,124	17.5	152
Full-Service Restaurants (NAICS 7221)	\$59,961,136	\$26,665,927	\$33,295,209	38.4	64
Limited-Service Eating Places (NAICS 7222)	\$65,074,951	\$62,111,063	\$2,963,888	2.3	65
Special Food Services (NAICS 7223)	\$9,444,891	\$2,183,445	\$7,261,446	62.4	3
Drinking Places - Alcoholic Beverages (NAICS 7224)	\$5,879,313	\$7,649,732	(\$1,770,419)	(13.1)	20
* Non-store retailers include infomercials, direct response TV advertising, catalogue sales, in-home demonstrations, vending machines, e-commerce, multi-level marketing, etc.					
<b>Note:</b> All figures quoted in 2010 dollars. Supply (retail sales ) estimates sales to consumers by establishments, sales to businesses are excluded. Demand (retail potential) estimates the expected amount spent by consumers at a retail establishment. Leakage/Surplus factor measures the relationship between supply and demand and ranges from +100 (total leakage) to -100 (total surplus). A positive value represents "leakage" of retail opportunity outside the trade area. A negative value represents a surplus of retail sales, a market where customers are drawn in from outside the trade area.					
Sources: ESRI; Maxfield Research Inc.					

## Retail Sales Trends

Tables 31 and 32 show retail sales for Maplewood, North St. Paul, Little Canada, St. Paul, and Ramsey County as of 2005 and 2010. The sales information is from the Minnesota Department of Revenue, Tax Research Division. Information on the growth of retail sales provides a picture of the economic growth and composition of the area's retail sales market over the five-year period. The following are key characteristics of the retail sales.

- ▶ Between 2005 and 2010, Maplewood's retail sales (minus food and drinking places) increased by 13% to about \$1.2 billion in 2010. Including food and drinking places, Maplewood had \$1.3 billion in sales in 2010.
- ▶ Food and beverage purchases account for 22% of Maplewood's retail sales in 2010.
- ▶ Overall sales in Maplewood are significantly higher than North St. Paul and Little Canada (about twice as high), but almost half of St. Paul. However, Maplewood had higher sales of vehicles and vehicles parts (+62%) and clothing and accessories (+40%) than St. Paul. This is mostly likely because these types of retail outlets are often clustered together in community or regional shopping centers, which are more prevalent in suburban locations.

TABLE 31				
RETAIL SALES GROWTH				
MAPLEWOOD, NORTH ST. PAUL, LITTLE CANADA, ST. PAUL, RAMSEY COUNTY				
2005 and 2010				
City	Gross Retail Sales (\$000's)*		Change 2005-2010	
	2005	2010	No.	Pct.
<b>Maplewood</b>	<b>\$1,099,286</b>	<b>\$1,247,313</b>	<b>\$148,027</b>	<b>13%</b>
North St. Paul	\$109,844	\$74,979	-\$34,865	-32%
Little Canada	\$86,704	\$75,642	-\$11,062	-13%
St. Paul	\$2,038,586	\$2,227,481	\$188,895	9%
Ramsey County	\$7,772,252	\$6,812,190	-\$960,062	-12%
* Excludes Food Service-Drinking Places				
Sources: MN Dept. of Revenue: Tax Research Division; Maxfield Research Inc.				

## RETAIL MARKET ANALYSIS

TABLE 32						
RETAIL SALES BY TYPE OF RETAIL						
MAPLEWOOD, NORTH ST. PAUL, LITTLE CANADA, ST. PAUL, RAMSEY COUNTY						
2010						
NAICS Code	Retail Industries	Maplewood	North St. Paul	Little Canada	St. Paul	Ramsey County
441	Vehicles, Parts	\$430,139,493	--	\$10,916,704	\$162,992,377	\$1,234,729,892
442	Furniture Stores	\$12,289,617	\$1,059,439	\$19,552,760	\$48,776,446	\$175,868,336
443	Electronics	\$56,302,942	--	--	\$218,717,301	\$429,143,598
444	Building Material	\$96,131,016	--	--	\$167,371,685	\$332,167,107
445	Food Beverage Store	\$212,751,516	--	\$8,821,226	\$648,736,611	\$1,194,488,903
446	Health, Personal	\$48,145,084	--	--	\$203,032,268	\$443,280,750
447	Gasoline Stations	\$62,559,889	\$21,421,350	--	\$280,319,060	\$655,691,403
448	Clothing, Accessory	\$112,844,154	--	\$430,601	\$67,196,463	\$349,922,610
451	Leisure Goods	\$36,762,419	\$156,468	\$17,180,009	\$45,629,768	\$223,477,060
452	General Merchandise	\$27,439,268	--	--	\$237,544,140	\$777,200,164
453	Misc. Store Retailer	\$32,837,124	\$52,271,189	\$16,051,199	\$130,508,215	\$820,075,994
454	Non-Store Retailer	\$119,110,163	\$70,555	\$2,689,565	\$16,656,337	\$176,144,660
722	Food Serv, Drinking Places	\$77,906,178	\$6,969,300	\$14,167,722	\$433,197,179	\$839,130,546
	Subtotal	\$1,325,218,863	\$81,948,301	\$89,809,786	\$2,660,677,850	\$7,651,321,023
* Sales & tax data are suppressed when there are fewer than four businesses in any given industry code.						
Sources: MN Dept. of Revenue: Tax Research Division; Maxfield Research Inc.						

## Types of Retail Goods

Retail goods are usually divided into three categories of goods: neighborhood, shopping and specialty goods. Neighborhood (convenience) goods are those that are bought frequently and are therefore usually purchased where it is most convenient to buy them, usually near home or work (food, personal care goods and services, pharmaceuticals, alcoholic beverages). Shopping goods are those that shoppers will take more care and spend greater effort to purchase and for which they prefer to have a comparative selection so that quality, types and price can be compared. Specialty goods are those for which shoppers expend the greatest effort and for which there is little competition (unique goods or items for which there are few substitutes or alternatives). The draw area for shopping, and therefore, its size, is affected by the availability of such goods.

The draw area for most neighborhood goods in a suburban area is less than two miles. Shopping goods retailers and specialty goods retailers are fewer and farther apart than neighborhood retailers. As such, the draw area for both shopper's goods and specialty items is much larger, typically five or more miles in a suburban setting.

Historically, most retail stores were independently owned and located in individually owned buildings in a downtown. Today, more retail stores are national retailers that are located in shopping centers along major Highways. Shopping centers are classified into three categories: *Neighborhood*, *Community*, and *Regional* shopping centers.



- ▶ **Neighborhood Centers** range from about 30,000 to 180,000 square feet and are typically anchored by a grocery store and/or drug store. These centers serve the day-to-day shopping needs of surrounding neighborhoods within a one- to two-mile radius (serving 10,000 to 40,000 people).
- ▶ **Community Centers** typically have between 180,000 and 500,000 square feet, although some newer “power centers” are larger, with up to 800,000 square feet. Community centers are usually anchored by a discount and/or department store and include a variety of smaller tenants. Power centers have multiple large format “big-box” stores, or category killers with few, if any smaller stores. Power centers are included in the community center inventory for data shown later in this study. Community centers draw from a larger geographic area – about four to five miles and serve a population of up to 150,000.
- ▶ **Regional Centers** range from about 300,000 to 1.2 million square feet of gross leasable area and must include at least one (usually two or more) major department store, along with a variety of additional shops. Most regional centers are enclosed malls, such as Burnsville Center and the Mall of America. However, some of today’s new power centers have draw areas similar to a traditional enclosed mall. These shopping centers have the largest draw areas among the three shopping center classifications and typically serve a population of about 250,000 or more.

## Regional Retail Market Conditions

Maxfield Research analyzed retail market trends for the PMA, including retail space absorption, vacancy rates, average net rents, and actively marketing retail properties. This information is useful in assessing the potential for retail demand in Maplewood since the overall health of the local retail market will influence the redevelopment potential.

Information on actively marketing properties is provided by Minnesota Commercial Association of Realtors database (MNCAR Exchange) while data on vacancy, absorption and rents is provided by Minnesota Shopping Center Association (MSCA). Lease rates provided by MSCA are presented in submarkets. The map on the following page shows the submarkets in the Metro Area. Maplewood is located in the Northeast Submarket.

This section provides an overview of the current conditions of shopping center space in the PMA. Information is provided by the *State of Retail Real Estate Report* published by MSCA. The data analyzed includes retail space absorption, vacancy rates, and average net rents.

- ▶ The distribution of retail space in the PMA as of 2011 was 31.9% neighborhood, 29.5% community and 38.9% regional, nearly equal percentages. There were 10 neighborhood shopping centers with an average size of 76,900 square feet, three community centers with

an average size of 237,500 square feet, and one regional center (Maplewood Mall) with 930,000 square feet.

- PMA retail centers posted a vacancy rate of 8.6% in 2011, the highest vacancy rate over the past six years. However, the majority of the vacancies were in neighborhood centers at 25.5%. Regional and community centers performed very well at 1.6% and 0.0% vacancy, respectively. The high discrepancy of vacancy rates can be attributed to the relatively older age of neighborhood centers compared to regional and community retail centers. Another factor is that retailers are gravitating toward regional and community centers to capture consumers' desire for one-stop shopping. Community and regional centers usually have larger anchor tenants and smaller supporting retailers to provide several retail needs in one location.

TABLE 33						
RETAIL SPACE VACANCY AND ABSORPTION						
PRIMARY MARKET AREA						
2006-2012						
Market Sector	Year	No. of Centers	Total Rentable Area	Total Amount Vacant	Percent Vacant	Annual Net Absorption
<b>PMA</b>						
Neighborhood	2006	9	677,471	44,267	6.5%	--
	2007	8	631,209	106,371	16.9%	-108,366
	2008	9	677,709	80,979	11.9%	71,892
	2009	9	677,709	95,279	14.1%	-14,300
	2010	11	792,709	124,690	15.7%	85,589
	2011	10	769,060	196,110	25.5%	-95,069
Community	2006	2	637,614	24,206	3.8%	--
	2007	2	637,614	9,232	1.4%	14,974
	2008	2	537,614	6,526	1.2%	-97,294
	2009	2	537,614	3,998	0.7%	2,528
	2010	3	712,614	3,998	0.6%	175,000
	2011	3	712,614	11,243	1.6%	-7,245
Regional	2006	1	930,000	25,000	2.7%	--
	2007	1	930,000	30,000	3.2%	-5,000
	2008	1	930,000	30,000	3.2%	0
	2009	1	930,000	68,019	7.3%	-38,019
	2010	1	930,000	0	0.0%	68,019
	2011	1	930,000	0	0.0%	0
<b>Total</b>	<b>2006</b>	<b>12</b>	<b>2,245,085</b>	<b>93,473</b>	<b>4.2%</b>	<b>--</b>
	<b>2007</b>	<b>11</b>	<b>2,198,823</b>	<b>145,603</b>	<b>6.6%</b>	<b>-98,392</b>
	<b>2008</b>	<b>12</b>	<b>2,145,323</b>	<b>117,505</b>	<b>5.5%</b>	<b>-25,402</b>
	<b>2009</b>	<b>12</b>	<b>2,145,323</b>	<b>167,296</b>	<b>7.8%</b>	<b>-49,791</b>
	<b>2010</b>	<b>15</b>	<b>2,435,323</b>	<b>128,688</b>	<b>5.3%</b>	<b>328,608</b>
	<b>2011</b>	<b>14</b>	<b>2,411,674</b>	<b>207,353</b>	<b>8.6%</b>	<b>-102,314</b>
Sources: MN Shopping Center Association; Maxfield Research Inc.						

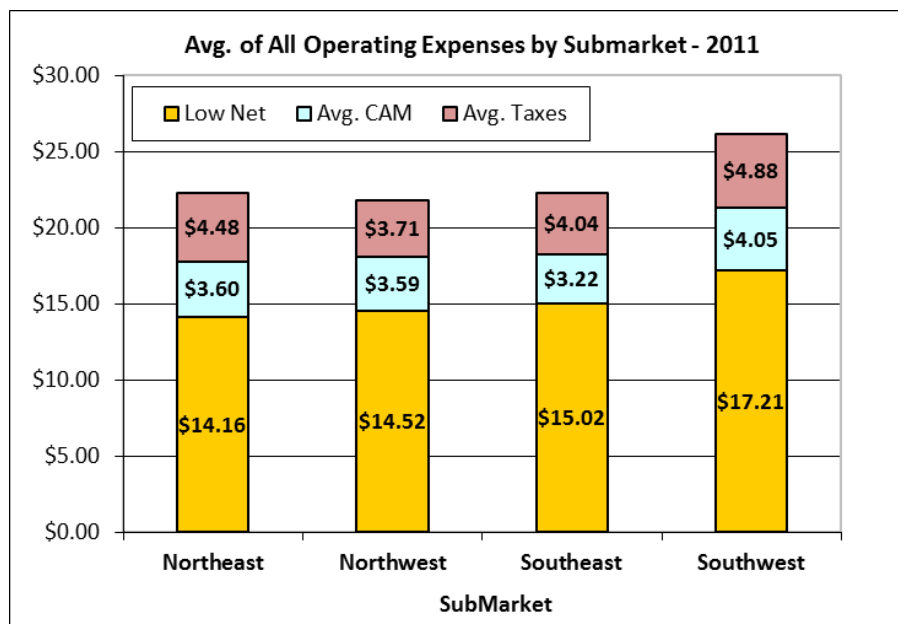
TABLE 34						
RETAIL SPACE VACANCY AND ABSORPTION						
PRIMARY MARKET AREA						
2006-2012						
Market Sector	Year	No. of Centers	Total Rentable Area	Total Amount Vacant	Percent Vacant	Annual Net Absorption
<b>Metro Area Total</b>						
Neighborhood	2006	323	23,122,658	1,772,584	7.7%	--
	2007	331	23,564,833	1,625,697	6.9%	589,062
	2008	304	21,336,336	1,442,535	6.8%	-2,045,335
	2009	347	24,563,389	2,308,086	9.4%	2,361,502
	2010	369	25,614,798	2,672,103	10.4%	687,392
	2011	362	25,237,950	2,762,330	10.9%	-467,075
Community	2006	81	18,802,358	771,761	4.1%	--
	2007	90	21,485,833	1,026,036	4.8%	2,429,200
	2008	79	19,526,121	1,024,037	5.2%	-1,957,713
	2009	85	19,535,621	1,591,028	8.1%	-557,491
	2010	101	22,634,525	1,350,185	6.0%	3,339,747
	2011	102	22,874,649	1,432,296	6.3%	158,013
Regional	2006	32	23,993,388	1,347,302	5.6%	--
	2007	32	24,497,608	1,019,270	4.2%	832,252
	2008	24	19,674,593	940,022	4.8%	-4,743,767
	2009	35	26,670,316	1,293,911	4.9%	6,641,834
	2010	35	26,451,427	1,686,739	6.4%	-611,717
	2011	34	25,467,313	742,666	2.9%	-40,041
CBD	2006	13	1,359,746	244,938	18.0%	--
	2007	12	1,291,746	225,876	17.5%	-48,938
	2008	12	1,291,746	207,350	16.1%	18,526
	2009	14	1,393,246	320,745	23.0%	-11,895
	2010	17	1,674,692	268,968	16.1%	333,223
	2011	17	1,674,692	376,771	22.5%	-107,803
<b>Total</b>	<b>2006</b>	<b>449</b>	<b>67,278,150</b>	<b>4,136,585</b>	<b>6.1%</b>	<b>--</b>
	<b>2007</b>	<b>465</b>	<b>70,840,020</b>	<b>3,896,879</b>	<b>5.5%</b>	<b>3,801,576</b>
	<b>2008</b>	<b>419</b>	<b>61,828,796</b>	<b>3,613,944</b>	<b>5.8%</b>	<b>-8,728,289</b>
	<b>2009</b>	<b>481</b>	<b>72,162,572</b>	<b>5,513,770</b>	<b>7.6%</b>	<b>8,433,950</b>
	<b>2010</b>	<b>522</b>	<b>76,375,442</b>	<b>5,977,995</b>	<b>7.8%</b>	<b>3,748,645</b>
	<b>2011</b>	<b>515</b>	<b>75,254,604</b>	<b>5,314,063</b>	<b>7.1%</b>	<b>-456,906</b>
Sources: MN Shopping Center Association; Maxfield Research Inc.						

- The Gladstone Area will most likely provide primarily neighborhood goods and services. It may be difficult to capture retailers due to the high competition and vacancy rates in other neighborhood centers. The Gladstone Area should also focus on entertainment and destination uses to differentiate itself from other neighborhood centers in the City.

## Stated Net Rental Rates

Table 35 shows median net rental rates (excluding expenses) for all shopping centers in each submarket in the Twin Cities, according to the Minnesota Shopping Center Association (2011). It is important to keep in mind that per square foot rental rates can vary greatly, even within the same retail center, with anchor tenants typically paying lower per square foot rents compared to small retailers. Small retailers often benefit from being located close to larger anchor tenants because of the customer traffic they generate. Furthermore, shopping center owners lease large blocks of space to anchor tenants at a lower rental rate, since their presence helps to market and generate higher rents for smaller spaces. Generally, the low end of the median rent range shown in Table 35 reflects rents paid by larger anchor tenants, while higher rents are those paid by in-line retailers. Data is not available for Maplewood separately and is included in the Northeast Submarket.

- ▶ The average net rental rate in the Northeast Submarket was about \$16.32 per square foot, ranging from \$14.16 to \$18.47 per square foot in 2011.
- ▶ The average common area maintenance (CAM) and taxes were \$3.60 and \$4.48 per square foot, respectively. This was the second highest average CAM and taxes in the Metro Area.
- ▶ Together with CAM and taxes, the typical retailer in the Northeast Submarket paid between \$22.24 and \$26.55 per square foot.



- ▶ Net rental rates for neighborhood centers in the Metro Area ranged from \$14.51 to \$17.00 per square foot in 2011. Rates of \$15.00 or slightly above would be those paid by larger anchor tenants in shopping centers or by small tenants in older shopping centers in locations

with less traffic and visibility. Fast-food restaurants usually pay the highest rates – near \$20.00 per square foot.

- Common area maintenance (CAM) fees among Metro Area neighborhood centers averaged \$3.46 per square foot and taxes averaged \$3.96 per square foot in 2011. Combining CAM fees and taxes with the average net rent of \$15.76 per square foot, retail tenants (neighborhood centers) would be paying about \$23.00 per square foot.

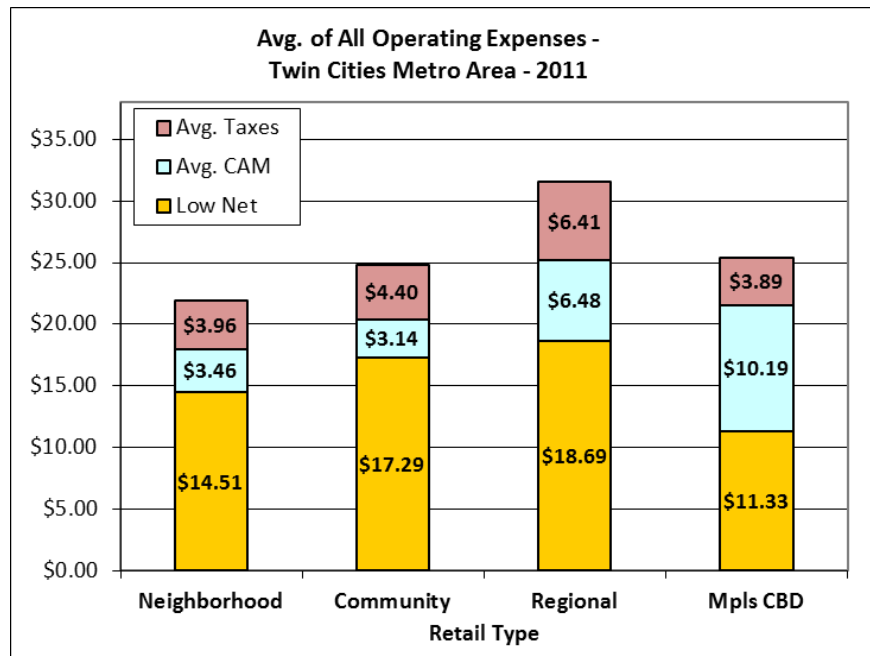


TABLE 35				
RENTAL RATES BY TYPE OF CENTER & SUBMARKET				
TWIN CITIES METRO				
2011				
	Avg. Net Rental Rates		Avg.	Avg.
Location	Low - High		CAM	Taxes
Submarket				
Northeast	\$14.16 - \$18.47		\$3.60	\$4.48
Northwest	\$14.52 - \$17.00		\$3.59	\$3.71
Southeast	\$15.02 - \$17.68		\$3.22	\$4.04
Southwest	\$17.21 - \$20.34		\$4.05	\$4.88
Twin Cities Metro Area				
Neighborhood	\$14.51 - \$17.00		\$3.46	\$3.96
Community	\$17.29 - \$20.18		\$3.14	\$4.40
Regional	\$18.69 - \$29.92		\$6.48	\$6.41
Mpls CBD	\$11.33 - \$32.58		\$10.19	\$3.89
Sources: MN Shopping Center Association; Maxfield Research Inc.				



## Selected Retail Properties in the PMA

Table 36 shows PMA retail buildings currently marketing and includes information on type of use, available square footage lease rates, and lease type. These centers would partially compete for potential tenants with new space in the Gladstone Area. Data was collected from MNCAR.

- ▶ Maxfield Research identified 22 retail centers with available space in October 2012. Approximately 202,700 square feet is available in the PMA. Based on a total inventory of 978,040 square feet among the properties, 20.7% of the space is vacant. The vacancy rate broken out by retail center is as follows:
  - Neighborhood: 21.7%
  - Convenience/Strip Center: 53.5%
  - Community Center: 7.7%
- ▶ Maplewood has 17 properties marketing over 183,456 square feet of space, about 93% of the PMA's inventory. Birch Run Station is the largest, with about 293,000 square feet. It has about 14,700 square feet of space available.
- ▶ The Gladstone Area would primarily compete with neighborhood centers. The average monthly rent is \$15.53 with the lowest monthly rent at Polar Plaza Shopping Center at \$10.00 and highest at Maplewood Town Center at \$24.00 monthly rent.
- ▶ The majority of the retail centers in the PMA are over 20 years old, being constructed between 1959 and 1991. Terrebonne Town Square in North St. Paul is the newest neighborhood retail center built in 2004. The housing market bust and economic recession have curtailed most retail development Metro Wide since 2008.
- ▶ Average lease rates among the properties actively marketing is about \$14.00 per square foot, ranging from \$8.00 to \$24.00 per square foot.

## RETAIL MARKET ANALYSIS

Table 36											
Actively Marketing Retail Developments											
Primary Market Area											
October 2012											
Property Name/City	Address	Specific Use	Year Built	Bldg. Size	Avail. Sq. Ft.	Min. Div. Sq. Ft.	Max. Contig. Sq. Ft.	Pricing List Price   Lease		Lease Type	Tenancy
Maplewood											
Polar Plaza Shopping Center	2231 11th Avenue E	Neighborhood Center	1988	23,277	8,827	1,309	5,223	\$10.00 -	\$12.00	Net/NNN	Multi-Tenant
Birch Run Station	1715 Beam Avenue	Community Center	1989	292,614	14,691	1,292	6,050	Negotiable		NNN	Multi-Tenant
Maplewood Square	1870 Beam Avenue	Neighborhood Center	1985	31,075	10,856	2,237	5,428	Negotiable		NNN	Multi-Tenant
Maplewood Mall Corner Shoppes	1935 Beam Avenue	Convenience/Strip Center	1991	16,589	12,518	1,067	12,518	\$17.00 -	\$17.00	NNN	Multi-Tenant
Maplewood Square	3035 White Bear Avenue	Neighborhood Center	1975	45,623	11,442	712	2,470	\$12.00 -	\$18.00	NNN	Multi-Tenant
Maplewood Marketplace	1275 Co Rd D	Convenience/Strip Center	--	12,269	1,900	1,900	1,900	\$18.00 -	\$18.00	NNN	Multi-Tenant
Maplewood Town Center	1845 Co Rd D East	Neighborhood Center	1986	100,000	19,416	2,000	9,716	\$17.00 -	\$24.00	Gross/NNN	Multi-Tenant
1990 County Road D	1990 Co Rd D	Convenience/Strip Center	1986	12,134	4,600	1,800	4,600	\$8.00 -	\$10.00	NNN	Multi-Tenant
1351 Frost Avenue	1351 Frost Avenue	Neighborhood Center	1960	11,000	2,168	700	2,168	\$18.00 -	\$21.00	Gross	Multi-Tenant
2610 Maplewood Drive	2610 Maplewood Dr	Convenience/Strip Center	--	26,979	26,979	26,979	26,979	\$8.00 -	\$8.00	NNN	Single-Tenant
Hillside Center	1690 McKnight Drive	Convenience/Strip Center	1987	12,585	1,903	1,162	1,903	\$11.00 -	\$13.00	NNN	Multi-Tenant
Corner Shops of Maplewood	2303 White Bear Avenue	Convenience/Strip Center	1972	16,582	1,420	1,420	1,420	\$21.00 -	\$23.00	Gross	Multi-Tenant
Mapleridge Shopping Center	2501-2515 White Bear Ave	Neighborhood Center	1986	114,192	11,670	1,211	8,000	Negotiable		NNN	Multi-Tenant
Valvoline Rapid Oil Building	2855 White Bear Avenue	Neighborhood Center	1984	4,000	1,519	1,519	1,519	\$14.00 -	\$14.00	NNN	Multi-Tenant
Maplewood East Shopping Center	2950 White Bear Avenue	Neighborhood Center	1982	32,998	12,632	1,331	5,192	\$15.00 -	\$19.00	NNN	Multi-Tenant
Plaza 3000	3000 White Bear Avenue	Neighborhood Center	1975	133,000	38,195	501	19,653	\$10.00 -	\$16.00	NNN	Multi-Tenant
North Annex	2015 Woodlynn Avenue	Neighborhood Center	1978	20,249	2,720	2,720	2,720	\$10.00 -	\$15.00	NNN	Single-Tenant
2210 White Bear Avenue	2210 White Bear Avenue	Convenience/Strip Center	1967	3,721	3,721	--	3,721	\$850,000		--	Single-Tenant
2732 Maplewood Drive	2732 Maplewood Drive	Convenience/Strip Center	1956	6,060	6,060	--	6,060	\$850,000		--	Single-Tenant
KinderCare	2036 County Road D East	Specialty Center	1980	6,175	6,175	--	1,519	\$996,250		--	Single-Tenant
1315-1321 Frost Avenue	1315-1321 Frost Avenue	Neighborhood Center	1959	6,000	6,000	--	6,000	\$500,000		--	Multi-Tenant
1351 Frost Avenue	1351 Frost Avenue	Neighborhood Center	1960	11,000	11,000	--	11,000	\$480,000		--	Multi-Tenant
North St. Paul											
McKnight Plaza	2080 11th Avenue E	Neighborhood Center	1976	46,500	3,740	1,254	2,486	\$12.00	\$12.00	NNN	Multi-Tenant
Terrebonne Town Square	2211 11th Avenue E	Neighborhood Center	2004	12,000	1,220	1,220	1,220	\$12.00	\$16.00	Net	Multi-Tenant
2569 7th Avenue E	2569 7th Avenue E	Convenience/Strip Center	1959	4,546	4,446	900	3,546	Negotiable		NNN	Multi-Tenant
Oil Can Henry's	2371 McKnight Road N	Convenience/Strip Center	--	1,428	1,428	1,428	1,428	\$14.00	\$14.00	NNN	Single-Tenant
St. Paul											
Snyders	800 White Bear Avenue	Community Center	1949	8,400	8,400	8,400	8,400	Negotiable		NNN	Single-Tenant
Sources: MNCAR, Maxfield Research Inc.											

## Interviews with Commercial Brokers

Maxfield Research Inc. interviewed commercial brokers familiar with Maplewood in order to gain further understanding and insight into the retail real estate market. We also obtained their opinions on the vitality of the Gladstone Area to support additional retail.

- ▶ Retail activity is very slow in Maplewood. Most properties have been on the market for over a year.
- ▶ Vacancy rates are high and almost every retail center has some vacant space. High vacancies lead to competition as prospective users have the ability to shop around for the best rents and location.
- ▶ The retail tenants in the Gladstone Area have loyal customers who come from all over the Metro Area. They have strong reputations and maintain business based on referrals and word of mouth.
- ▶ All the brokers interviewed do not think the Gladstone Area is suitable for national chain retail. There needs to be higher traffic levels to support the cost of new development. The Gladstone Area has the opportunity to cater to established businesses with other locations or startup businesses that focus on unique and destination-type retail that will differentiate themselves from the other chain stores near the Maplewood Mall.
- ▶ Current rental rates in the Gladstone Area are comparable to rates near the Maplewood Mall and along White Bear Avenue (\$15-\$18 per square foot). However, new retail space would need much higher rents (\$20+ per square foot) to offset costs of new construction.

## Pending Retail Developments

There are no retail developments planned or pending in the PMA.

## Retail Development Potential

Demand for additional retail space in the PMA, measured in gross leasable space in square feet, is calculated in Table 37. The table combines demand information with supply to calculate the amount of retail space supportable in the PMA. Sources of data used in the calculations include Metropolitan Council and Maxfield Research Inc. (household growth trends), ESRI (consumer expenditures), and Urban Land Institute (retail sales data).

The demand calculation begins with an estimation of the total expenditures for retail goods and services by PMA residents, excluding expenditures for automobiles, home, finance/insurance, and transportation). We estimate that consumer expenditures that could be purchased in the PMA are about \$24,900 per household. Multiplying the consumer expenditure figure by the number of households results in total retail sales of \$620 million in 2012.

Based on the retail gap analysis (Table 30), approximately 20% of the retail expenditures by PMA households were made outside of the PMA – or a “leakage” factor of 20%. Factoring in leakage of retail dollars spent by PMA residents to centers outside of the PMA, the total demand in the PMA is reduced to \$496 million in 2012.

TABLE 37 DEMAND FOR RETAIL SPACE PRIMARY MARKET AREA 2012 to 2020			
		2012	2020
# of Households		24,904	30,360
(times) Annual Household Expenditures <sup>1</sup>	x	\$24,906	\$28,904
(equals) Total Trade Area Expenditures	=	\$620,259,024	\$877,525,440
(plus) Approx. % Leakage Outside the Trade Area <sup>2</sup>	+	20%	19%
(equals) Leakage Outside of Trade Area	=	\$124,051,805	\$166,729,834
(equals) Total Purchasing Power		\$496,207,219	\$710,795,606
(divided by) Average sales per Sq. Ft. <sup>3</sup>	/	\$273	\$332
(equals) Total Retail Space Demand (Sq. Ft.)	=	1,817,609	2,140,951
			2012 to 2020
Growth in retail demand			323,342
(times) % of PMA demand growth capturable by Gladstone Area	x		5%
(equals) Retail space supportable on subject Site (sq. ft.)	=		16,167
<sup>1</sup> Excluding expenditures for home buying, finance & insurance, travel, and vehicle sales.			
<sup>2</sup> Leakage is the estimated amount of retail dollars spent outside the PMA.			
<sup>3</sup> From <u>Dollars and Cents of Shopping Centers</u> , Urban Land Institute.			
Sources: ESRI; Urban Land Institute; Maxfield Research Inc.			

The 2012 retail sales per square foot reflects an average across all shopping center types in the Midwest and is based on information published in the “Dollars & Cents of Shopping Centers” prepared by the International Council of Shopping Centers and the Urban Land Institute. Dividing total purchasing power by average retail sales per square foot equates to total demand for about 1.8 million square feet of retail space in the PMA.

Because of growth in the PMA household base and accounting for inflation, PMA residents are expected to increase their overall retail expenditures from about \$24,900 per household in 2012 to about \$28,900 per household in 2020. The result will be growth in retail expenditures by PMA residents of over \$300 million by 2020.

The net leakage figure for 2020 is based on the estimated leakage after new space would be added in the PMA. We estimate that leakage would decrease 1% in the future as new retailers move into the PMA and offer different types of goods.

With inflation, we project that the average retail sales per square foot will increase from \$273 in 2012 to \$332 in 2020. Dividing purchasing power by average retail sales per square foot equates to total demand for about 2.15 million square feet of retail space in the PMA in 2020, (or a net gain of 323,342 square feet between 2012 and 2020).

We estimate that the Gladstone Area can capture 5% of the growth in retail demand based on its location within the PMA and location of competitive retail centers in the PMA, resulting in demand for 16,167 square feet of retail space between 2012 and 2020.

## Introduction

This section of the report analyses the office market in the PMA and calculates the potential for office development. Included in the analysis are an examination of employment and business growth trends and the existing supply of competitive office space. The potential for new office development in Maplewood is greatly influenced by overall market conditions in the office market area.

## Business Growth by Type of Business

Table 38 shows the distribution of businesses that are typical users of office space by number of employees in the PMA in the years 2000, 2005 and 2010. The data is from the U.S. Department of Commerce; County Business Patterns, and is accumulated based on Zip Code boundaries (the best approximation to the PMA are Zip Codes 55106, 55109, 55117, 55119, and 55130).

Growth in these sectors is an important indicator of total demand for office space and the size of businesses provides an indication of the type and sizes of office spaces required. In addition to businesses in these sectors, a small amount of office demand will be generated from other sectors, including government agencies.

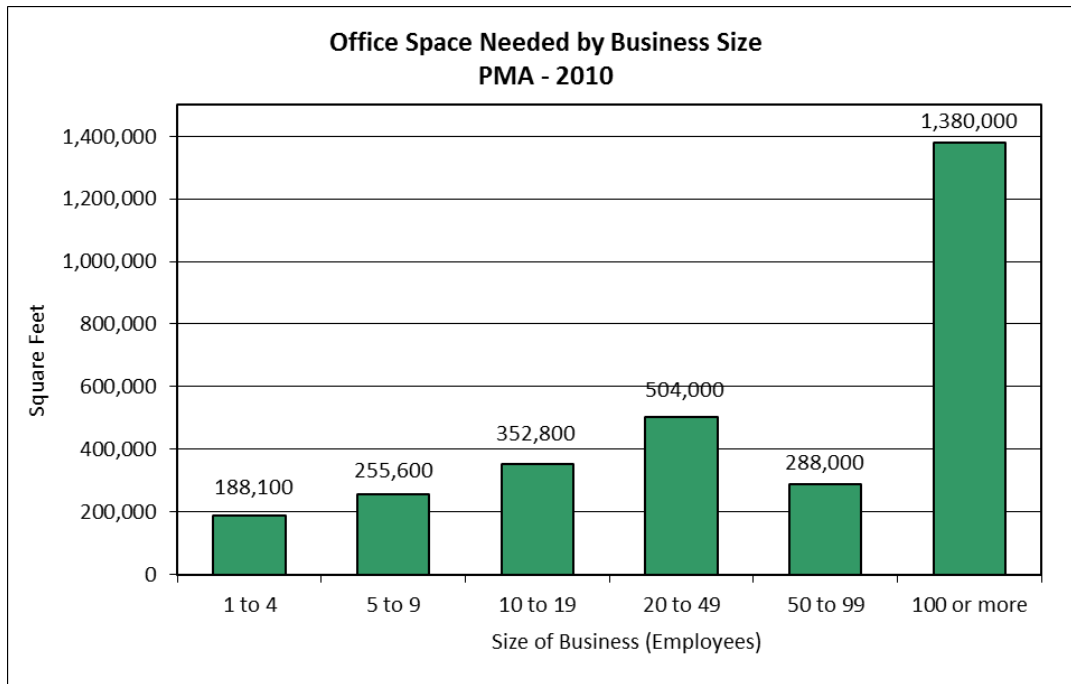
- ▶ The six business categories include Information; Finance and Insurance; Real Estate; Professional, Scientific, and Technical Services; Management of Companies and Enterprises; and Health Care and Social Assistance. The number of businesses in these categories in the PMA decreased from 1,026 businesses in 2005 to 999 businesses in 2010 (a decrease of - 2.6% in five years).
- ▶ In 2010, the PMA had a total of 999 businesses which typically occupy office space, with 454 businesses (45.4%) in the Health Care and Social Assistance Category (includes child day cares, dentists, chiropractors and other medical doctors). Professional, Scientific, and Technical Services category (includes attorneys, accountants, architects, engineers, consultants, and computer programmers, etc.) comprised 231 businesses (23.1%) and the Real Estate, Rental, and Leasing category comprised 115 businesses (11.5%). Approximately 72% of Professional, Scientific, and Technical businesses had fewer than five employees, while only 33% of the Health Care businesses had fewer than five employees.
- ▶ Of the 999 businesses in the PMA in 2010, 49.5% had fewer than five employees, 21.3% had between five and nine employees, and the remaining 29.1% had more than 10 employees. Based on this information, it appears that the majority of office users in the area require smaller spaces. Assuming that office employees occupy an average of 200 square feet of office space (including common areas), many companies in the area would need 1,000 square feet or less, and only a modest number would need more than 4,000 square feet. It should be noted that some, if not most, of the smallest businesses (1-person) are likely to be located in home offices.



**TABLE 38**  
**BUSINESSES BY INDUSTRY AND SIZE OF BUSINESS**  
**ZIP CODES 55106, 55109, 55117, 55119 & 55130**  
**2005 and 2010**

			Real Estate	Profesional	Mgmt of	Health Care		<b>Total</b>	
		Information	Finance & Insurance	& Rental & Leasing	Scientific & Tech. Services	Companies & Enterprises	& Social Assistance	Education	
									<b>No.</b>
									<b>Pct.</b>
<b>2000</b>									
1 to 4	17	93	90	176	0	114	15	505	49.2
5 to 9	7	16	26	33	2	83	3	170	16.6
10 to 19	5	9	13	21	5	60	2	115	11.2
20 to 49	6	8	4	11	1	34	11	75	7.3
50 to 99	1	3	1	2	0	9	5	21	2.0
100 to 249	2	1	0	2	1	8	3	17	1.7
250 or more	0	0	0	0	0	2	0	2	0.2
<b>Total</b>	<b>38</b>	<b>130</b>	<b>134</b>	<b>245</b>	<b>9</b>	<b>310</b>	<b>39</b>	<b>905</b>	88.2
<b>2005</b>									
1 to 4	22	90	118	182	1	148	6	567	55.3
5 to 9	7	18	29	34	2	105	5	200	19.5
10 to 19	4	9	12	23	3	71	7	129	12.6
20 to 49	1	11	4	11	1	44	9	81	7.9
50 to 99	3	2	1	2	0	16	1	25	2.4
100 to 249	0	1	0	3	1	12	2	19	1.9
250 or more	0	1	0	0	2	2	0	5	0.5
<b>Total</b>	<b>37</b>	<b>132</b>	<b>164</b>	<b>255</b>	<b>10</b>	<b>398</b>	<b>30</b>	<b>1,026</b>	100.0
<b>2010</b>									
1 to 4	19	70	74	165	3	151	13	495	49.5
5 to 9	7	21	29	33	1	114	8	213	21.3
10 to 19	4	8	7	23	3	93	9	147	14.7
20 to 49	2	7	5	6	5	59	6	90	9.0
50 to 99	3	2	0	2	0	14	3	24	2.4
100 to 249	0	1	0	2	2	22	0	27	2.7
250 or more	0	1	0	0	1	1	0	3	0.3
<b>Total</b>	<b>35</b>	<b>110</b>	<b>115</b>	<b>231</b>	<b>15</b>	<b>454</b>	<b>39</b>	<b>999</b>	100.0
Sources: Bureau of the Census: County Business Patterns; Maxfield Research Inc.									

- ▶ The chart below shows an estimate of the total amount of office space needed to accommodate the businesses listed in Table 38 by size of business. The figures assume that employees occupy an average of 200 square feet of office space. The chart shows that about 2,968,500 square feet is needed to accommodate all of the businesses in 2010. However, a portion of the businesses with four or less employees are likely operated from private homes, thereby reducing total office needs to closer to about 2,780,500 square feet.



## Growth of Office-Type Jobs

Table 39 presents total employment growth trends and projections in the PMA from 2000 to 2020, including the estimated percentage of total employment among jobs that typically occupy office space. The figures were compiled by Maxfield Research, based on data from the U.S. Department of Commerce. It is accumulated based on Zip Code boundaries (the best approximation to the PMA are Zip Codes 55106, 55109, 55117, 55119, and 55130).

- ▶ During this past decade, the PMA lost -2,766 jobs (-6.7%). However, during this same time, the number of estimated jobs requiring office space increased by 3,753 jobs (+33.8%).
- ▶ Over this current decade, we project that the percentage of jobs that require office space will continue to increase (+4,482 jobs). Office jobs accounted for 27% of total jobs in 2000, 39% of jobs in 2010, and is projected to increase to 42% of total jobs by 2020.
- ▶ An industry standard is that an average of 200 square feet of space is required for every office job. Therefore, with the estimated addition of 4,028 office jobs between 2010 and

2020, it can be roughly estimated that over 600,000 square feet of office space will be needed to accommodate these new employees. The actual amount of office space needed would likely be slightly less, because the number office jobs includes some people working from home offices, and some professional businesses may seek retail space.

TABLE 39							
PROJECTED GROWTH OF OFFICE JOBS							
ZIP CODES 55106, 55109, 55117, 55119 & 55130							
2000 to 2020							
				Change			
				2000 to 2010		2010 to 2020	
	2000	2010	2020	No.	Pct.	No.	Pct.
<b>Total Jobs</b>	41,238	38,472	42,500	-2,766	-6.7%	4,028	10.5%
<b>Office Jobs</b>	11,090	14,843	17,850	3,753	33.8%	3,007	20.3%
<b>% office jobs</b>	27%	39%	42%	--	--	--	--
Note: Estimated office jobs primarily include employees in the following industry categories: Information, Finance & Insurance, Real Estate, Professional, Scientific, & Technical Services, Management of Companies & Enterprises, and Health Care & Social Assistance.							
Sources: Bureau of the Census: County Business Patterns; Metropolitan Council; Maxfield Research Inc.							

## Selected Office Developments Marketing in the PMA

Table 40 displays information office buildings currently marketing space in the PMA. These office developments would partially compete for potential tenants with new space in the Gladstone Area. Information was collected by Maxfield Research Inc. in October 2012 from the Minnesota Commercial Property Exchange (MNCAR). The table displays key features such as the location, year built, total space, square feet available and lease rates of these properties.

- ▶ Among the inventoried office spaces, about 100,345 square feet of office space is available, representing an overall vacancy rate of 35.8% of those buildings currently marketing space.
- ▶ The actively marketing office developments are mostly Class B properties. Suburban Class A properties are typically newer buildings and in first-class condition with excellent visibility and access. Suburban Class B properties are generally older and smaller in size or buildings with less than prime access or visibility when compared to Class A products.
- ▶ Lease rates among actively marketing properties range from \$10.00 to \$22.00 per square foot. The median lease rate is \$17.00.

## OFFICE MARKET ANALYSIS

Table 40											
Actively Marketing Office Developments											
Primary Market Area											
October 2012											
Property Name/City	Address	Year Built	Bldg. Class	Bldg. Size	Avail. Sq. Ft.	Min. Div. Sq. Ft.	Max. Contig. Sq. Ft.	Pricing List Price   Lease		Lease Type	Tenancy
Maplewood											
Heather Ridge	2375 Ariel Street N	--	B	6,250	6,250	1,000	6,250	\$10.00	\$12.00	NNN	Multi-Tenant
Maplewood Office Park	1650 Beam Avenue	1988	B	13,560	2,585	1,136	1,449	\$14.00	\$16.00	NNN	Multi-Tenant
Birch Run Health	1747 Beam Avenue	2001	A	28,350	11,620	3,000	11,620	\$22.00	\$22.00	Net	Single-Tenant
Maplewood Heights Health Center	2001 Beam Avenue	--	A	13,728	13,728	7,000	13,728	\$19.50	\$21.00	Net	Multi-Tenant
Harbor Pointe Office	2097 Co Rd D East	2004	B	2,080	2,080	1,040	2,080	\$13.50	\$13.50	Gross	Multi-Tenant
Kennard East Medical Building	0 Legacy Parkway	2012	A	19,000	7,000	2,500	7,000	\$21.00	\$21.00	Net	Multi-Tenant
Maple Leaf Ridge Business Center	2475 Maplewood Drive N	2006	B	15,984	2,389	180	2,389	\$14.00	\$14.00	Gross	Multi-Tenant
Maple Medical Building	1812 N St. Paul Road	1967	B	13,452	10,242	1,807	5,115	Negotiable		Net	Multi-Tenant
1973 Sloan Place	1973 Sloan Place	1969	C	28,000	3,070	528	3,070	\$17.50	\$18.00	Gross	Multi-Tenant
Hazelwood Professional Center	2785 White Bear Avenue	1983	B	37,576	4,651	420	3,261	\$19.00	\$20.00	MG	Multi-Tenant
2966 White Bear Avenue	2966 White Bear Avenue	1986	B	16,000	12,600	10,000	12,600	\$17.00	\$17.00	Gross	Multi-Tenant
North St. Paul											
Franklyn I	2497 7th Avene E	1958	C	20,000	3,130	267	1,743	\$10.00	\$10.00	NNN	Multi-Tenant
Keindel's Korner	2586 7th Avenue E	2007	B	50,000	17,500	162	15,000	\$8.00	\$13.00	NNN	Multi-Tenant
2700 7th Avenue E	2700 7th Avenue E	1968	A	16,000	3,500	250	3,500	\$18.00	\$18.00	Net	Multi-Tenant
Sources: MNCAR, Maxfield Research Inc.											

- ▶ Kennard East Medical Building is the newest building in Maplewood and has one of the highest quoted lease rates in the area at \$21.00 per square foot. Typically, medical office buildings have the highest lease rates due to the architectural and building requirements necessary to cater to the medical industry. Most medical office tenants sign longer lease terms than standard office users and are more likely to renew their leases once they expire.

## Pending Office Developments

### Maplewood

3M is planning to develop a new research lab facility at its Maplewood campus near the corner of Conway and McKnight roads. The lab will house about 700 researchers and scientists and cost approximately \$150 million. Construction will start in summer 2013 and open in 2015.

## Office Development Potential

This section focuses on factors that influence the demand for office space, including business and employment growth and current market conditions. The amount (in square feet) of additional office space supportable in the PMA is based on projected office employment growth and the amount of employment growth that would be capturable by suitable space located in the PMA. Our demand calculations are shown in Table 41 and are summarized below.

As of 2012, the PMA had an estimated 43,300 jobs. Employment growth is projected to grow by about 4,650 jobs by 2020.

Office jobs accounted for about 39% of all jobs in 2010. We expect that the presence of office jobs in the PMA will increase to 40% by 2020. To reach this percentage, about 2,300 jobs that typically require office space will be added, or about a 13.6% increase in office jobs over the next eight years.

Not all of the office-type jobs created over the next five years will seek or want space in office buildings. As shown earlier in this section, 495 of the 1,000 office-type businesses in the PMA have fewer than five employees. The majority of these businesses are likely one- or two-person businesses with many operating from peoples' homes. In addition to home offices, some businesses will prefer traditional retail space. Examples include an accounting firm, such as H&R Block, or a dentist who seek retail space that has higher visibility. We estimate that 70% of the total office-type jobs in the PMA in 2012 are in traditional office space, or about 11,820 jobs.

An industry standard of an average of 200 square feet of space is required for every office job. Therefore, with the addition of 2,300 office jobs between 2012 and 2020, it can be roughly

estimated that approximately 321,020 square feet of office space would be needed to accommodate new employees by 2020.

We estimate that the Gladstone Area can capture 3% of the growth in office demand based on its location in the PMA and location of competitive office locations in the PMA, resulting in demand for 9,631 square feet of retail space between 2012 and 2020.

TABLE 41				
PROJECTED DEMAND FOR OFFICE SPACE				
PRIMARY MARKET AREA				
2012 to 2020				
		2012	2020	
Projected number of jobs in the PMA		43,300	47,950	
(times) % of jobs in industry types that typically require office space	x	39.0%	40.0%	
(equals) Projected number of office-type jobs in the PMA	=	16,887	19,180	
(times) % of office-type jobs seeking/needing office space*	x	70%	70%	
(equals) Projected demand for office space in the PMA (sq. ft.)	=	11,821	13,426	
(times) Square feet of office space per employee	x	200	200	
(equals) Projected demand for office space in the PMA (sq. ft.)	=	2,364,180	2,685,200	
Growth in office demand (2012 to 2020)		321,020		
(times) % of PMA demand growth capturable by the Gladstone Area		3%		
(equals) Office space supportable in the Gladstone Area (sq. ft.)		9,631		
* Percent of office-type jobs seeking office space versus home offices or retail spaces.				
Source: Maxfield Research Inc.				



## Introduction

The previous sections focused on the “demand” and “supply” factors for several real estate sectors: multifamily housing, senior housing, retail, and office. For each real estate sector, we calculated the excess demand in the PMA and discussed the proportion of demand that could be captured in the Gladstone Area. This section summarizes the market potential findings and makes recommendations based on the analysis, including the most appropriate product types, pricing achievable, development timeframe, and other development issues to consider.

## Demand Summary

Table 42 provides a summary of demand that could be captured in the Gladstone Area. There is demand for approximately 300 housing units, and 31,600 square feet of commercial space. As a comparison, the master plan completed in 2007 suggests 450 to 650 housing units and 50,000 to 75,000 square feet of commercial space. The Gladstone Area will most likely take longer than 2020 to reach full development, but we believe the master plan figures are somewhat aggressive for the Maplewood Market. A recommended modified figure is approximately 350 to 400 housing units and 25,000 square feet of commercial space.

## Housing Recommendations

We find demand for a variety of housing products for various household types. Although new single-family homes would be in demand in Maplewood, we do not recommend this product type due to the density needed for the area and economies of scale. For this reason, we recommend a mix of mid- to high-density housing that can maximize returns.

### For-Sale Townhomes

The number of for-sale townhomes increased significantly during the early to mid-2000s as land costs escalated dramatically along with the cost of purchasing a new single-family home. Many buyers that could not afford a single-family home in the community of their choice, decided to purchase a townhome. With the decline in home values that occurred during the recession, young and mid-age homebuyers have moved back over to single-family homes. The result is that development and sales of multi-story townhomes has decreased dramatically. We expect that with the recovery of the housing market, demand for townhomes will increase, again. For-sale townhomes would be best located south of the funeral home along English Street to be built within 10 to 20 years (see Table 47 for development timing).

TABLE 42			
SUMMARY OF DEMAND			
GLADSTONE AREA			
October 2012			
HOUSING			
Type of Use	2012-2020		
General-Occupancy			
Rental Units - Market Rate	117		
Rental Units - Affordable	85		
Rental Units - Subsidized	11		
For-Sale Units - Single-family	5		
For-Sale Units - Multifamily	43		
Total General Occupancy Supportable	261		
	2012	2017	
Age-Restricted (Senior)			
Adult Few Services (Active Adult)	17	21	
Ownership	0	0	
Rental	17	21	
Affordable	0	0	
Congregate	17	14	
Assisted Living	12	7	
Memory Care	7	5	
Total Senior Supportable	53	47	
COMMERCIAL			
Type of Use	2012-2020		
Retail Space	16,167 s.f.		
Office Space	9,631 s.f.		
Total Commercial Space Supportable	25,798 s.f.		
Source: Maxfield Research Inc.			

Townhomes generally appeal to two groups – younger singles and couples without children who are looking for more affordable owned housing, and empty-nesters/retirees who are seeking to shed the maintenance responsibility of their single-family homes. We recommend the following townhome housing types:

- ▶ Side-by-Side Townhomes. These units have been attractive to first-time homebuyers, younger move-up buyers, and some younger families with children as they are more affordable than single-family homes. All units should feature master suites with master bedroom and bath on the main level. This feature also appeals to some older adults and retirees. Townhome units should have prices starting at \$225,000.

### **For-Sale Condominiums**

The Twin Cities Metro Area (specifically the core cities of Minneapolis and St. Paul) witnessed tremendous growth in new condominium construction between the late 1990s and 2006. However, no new projects in the Metro Area have broken ground since 2007. Prices of condominiums were the first to “crash” during the housing crisis and Great Recession. As a result, many condo buyers today are upside down on their mortgages, especially those owners located in suburban secondary and tertiary markets.

Although a condominium would appeal to a wide range of buyers (young-professionals to down-sizing empty nesters and seniors), we do not recommend a condominium development in the short-term. Presently, we find demand for 43 for-sale multifamily units through 2020, which will primarily be for townhome units. However, a new for-sale condominium development may be feasible sometime after 2020 if the Rush Line light rail line is constructed and there is a transit stop in the Gladstone Area.

### **Senior Housing**

The majority of demand for service-intensive senior housing will be satisfied by the newly constructed *The Shores of Lake Phalen*. As illustrated in Table 42, demand exists for a modest amount of active adult units (17 units in 2012 and 21 units in 2017). We do not believe there is enough demand to warrant a development. Due to the economies of scale, new senior housing typically requires the demand of a minimum of 40 to 50 units to make a project financially feasible.

However, as the number of seniors continues to increase in the coming decade, the demand for senior housing will also continue to grow. There may be an opportunity for an active adult senior housing development after 2020.

### **General Occupancy Rental Housing**

As illustrated in Table 15, vacancy rates in Maplewood are around 1.6% as of 3<sup>rd</sup> Quarter 2012, indicating pent-up demand for new rental housing. Because of low vacancy rates, developers are proposing new rental projects all across the Twin Cities trying to take advantage of today's tight market conditions.

Multifamily rental development could be developed in the short term (1 to 5 years). The Maplewood Marine site and the site west of Maplewood Lanes should be the top priorities for redevelopment.

It may be difficult to construct new multifamily product with amenities today's renters desire given achievable rents and development costs. Maxfield Research Inc. tracks development and construction costs for new rental housing across Minnesota. In the Twin Cities core, the average costs per unit ranges from about \$150,000 to \$250,000. The average rent per square foot

in Maplewood is under \$1.00 per square foot, when most Metro Area projects will need at least \$1.30 or more per square foot to be financially feasible. Thus, an affordable rental project utilizing Housing Tax Credits and other financial incentives could also be possible in the short-term. Newer affordable developments such as Hoffman Place in White Bear Lake and Willow Ridge Apartments in Vadnais Heights have rents under \$1.00 per square foot.

## Retail Recommendations

Our demand calculations found that the Gladstone Area could support about 16,000 square feet of retail through 2020. However, given current market conditions (high vacancy rates at existing commercial buildings near the Maplewood Mall and along White Bear Avenue) and lower traffic counts on Frost Avenue and English Street, it will be difficult to support retail space until the area becomes more fully developed with housing. We recommend that this space come online incrementally, most of which should be developed at the end of this decade or even later.

Typically, the presence of retail-oriented goods and services will increase housing absorptions as potential buyers/tenants seek to locate near goods and services. However, in order for the retail component to be successful, it must draw a significant number of customers from the surrounding area and some from further away. A modest housing density adjacent to the retail component will not be sufficient to sustain the commercial component and will not be the driving factor in attracting retailers to this location. The existing retail is already being sustained. Additional density will benefit current retailers as well as new ones.

The greatest retail demand in the Gladstone Area is specialty stores serving a niche market with a large draw area. Neighborhood retail that serves the local population with goods and services they purchase more frequently could also be accommodated. Table 43 presents various retail uses along with the median size (square feet) for each type of use. The uses highlighted in blue are existing retailers that would be compatible with new redevelopment and the uses highlighted in red are some suggested types of retail and service businesses that would be appropriate in the Gladstone Area. The suggested space sizes reflect an average for an independent retailer versus national chains, although in some cases, the two may be similar.

TABLE 43			
RETAIL USES BY MEDIAN SIZE OF STORE			
EXAMPLES OF POTENTIAL RETAILERS FOR GLADSTONE AREA			
October 2012			
Retail Uses:	Median Sq. Ft.	Retail Uses:	Median Sq. Ft.
Neighborhood-Oriented		Specialty Retail	
<b>Bakery</b>	<b>1,300</b>	<b>Arts &amp; Crafts</b>	<b>2,200</b>
Bank	3,500	<b>Book Store</b>	<b>4,400</b>
Cards & Gifts	2,400	Computer/Software	1,250
<b>Coffee/Tea</b>	<b>1,250</b>	<b>Convenience Market</b>	<b>3,000</b>
Cosmetics/Beauty Supplies	1,250	Day Spa	2,000
<b>Deli/Specialty food</b>	<b>1,950</b>	Decorative accessories	1,650
<b>Drugstore/Pharmacy</b>	<b>12,150</b>	Eyeglasses-optician	1,400
<b>Dry Cleaner/Laundry</b>	<b>1,600</b>	Family Shoe Store	3,500
Health Food Store	1,350	Flowers/plant	1,200
Ice Cream Parlor	1,200	Furniture Store	5,000
<b>Liquor/Wine</b>	<b>2,685</b>	Health Club	10,000
<b>Meat Market/Butcher</b>	<b>1,500</b>	Hobby	2,500
<b>Nail Salon</b>	<b>1,050</b>	Home accessories	2,800
Photocopy/Fast Print	1,400	Jewelry Store	1,200
<b>Pizza</b>	<b>1,500</b>	Mailing/Packaging	1,200
<b>Restaurant with liquor</b>	<b>4,000</b>	Movie Theatre	10,600
<b>Sandwich shop</b>	<b>1,250</b>	<b>Pet Shop</b>	<b>2,000</b>
Sporting Goods	3,090	Picture Framing	1,250
Tailor	900	Radio, Video, Stereo	2,100
<b>Tanning Salon</b>	<b>1,250</b>	<b>Dollar/Discount Store</b>	<b>2,800</b>
<b>Telephone</b>	<b>1,020</b>	<b>Specialty Hardware</b>	<b>2,400</b>
Weight Loss Center	1,300		
<b>Unisex hair</b>	<b>1,300</b>		
<b>Women's Hair Salon</b>	<b>1,200</b>		
* Retailers highlighted in blue are existing retailers in the Gladstone Area			
* Retailers highlighted in red are recommended new uses			
Sources: Urban Land Institute: Dollars and Cents of Shopping Centers; Maxfield Research			

### ***Barriers to Retail Development in the Gladstone Area***

#### ***Retail Lease Rates***

Based on the lease rates at newer shopping centers in the East Metro Area, we believe net lease rates averaging \$20 to \$24 per square foot will be required to pay for the cost of redevelopment, especially land acquisition. Most potential neighborhood tenants will likely seek space elsewhere if lease rates exceed this level. This may be problematic for existing retailers in the Gladstone Area as they might not be able to pay for the increase in rent. Retention efforts should be applied for businesses wanting to stay in the area.

### Traffic Counts

Traffic counts are used as benchmarks by many retailers who rely heavily on drive-by traffic and the visibility of motorists as a key factor in assessing the potential revenues that may be generated by an outlet at a particular location. Many national chains have very specific traffic count ranges whereby they analyze and assess the potential of a location. The 2009 traffic counts illustrated in Table 1 showed traffic counts averaging from 5,200 to 6,500 along Frost Avenue. Most small neighborhood centers usually look for a minimum traffic count of 9,000 to 12,000 vehicle trips per day. Therefore, many retailers may not consider the Gladstone Area.

### Office Recommendations

Our calculations show that the Gladstone Area can support about 9,650 square feet of office space through 2020. Most potential tenants will be smaller professional service firms such as medical office, accounting and personal finance offices, etc. They will seek smaller spaces, generally 3,000 square feet or less. They are a variety of office space types that could be developed for these users over the next eight-plus years. These office types are summarized below.

### *Type of Space*

Leased Office Space: The majority of potential office users will be attracted to leased office space (excluding office suites) in either a stand-alone building or multi-tenant building. Nearly all of the medical offices will seek this type of space, as will many of the service businesses, such as attorneys, accountants, financial planners, etc. Table 44 shows the median square feet of office space some of these tenants may seek.

TABLE 44	
POTENTIAL SMALL OFFICE USERS	
GLADSTONE AREA	
October 2012	
Office Uses:	Median Sq. Ft.*
Accounting	1,600
Architect/Other Consultants	850
Banks	4,100
Chiropractor	1,200
Dental	1,650
Finance	1,550
Insurance	1,100
Legal	1,200
Medical	1,650
Optometrist	1,200
Real Estate	2,400
* Median Gross Leaseable Area	
Sources: Urban Land Institute: Dollars and Cents of Shopping Centers; Maxfield Research Inc.	



***Retail Space:*** Some businesses that are traditionally considered users of office space may seek retail space. These include personal service businesses that sometimes prefer the higher visibility that retail space provides. While not all of these potential types of businesses in the Gladstone Area will seek retail space, some will prefer to be in higher visibility locations where walk-in traffic is important.

### ***Lease Rates***

New office space in the Gladstone Area should capture net lease rates priced from \$15 to \$18 per square foot.

### **Redevelopment Priorities/Strategies**

The timing and sequencing of projects largely depends on the ability of the private sector with collaboration efforts with the public sector to initiate development. We determined possible timeframes for specific sites and their potential for redevelopment. In general, redevelopment will likely start from the west side of the Gladstone Area and continue east along Frost Avenue.

### ***Maplewood Marine***

Maxfield Research Inc. recommends that the first priority for new development should be the Maplewood Marine site. As we understand, the owner is very interested in selling and the property could be combined with the vacant parcel to the east for about a 3.5-acre site. We recommend rental townhomes and/or three-story multifamily rentals with approximately 45 to 70 units. It should be consistent with the master plan completed in 2007 recommending “that the development be tiered such that lower density patterns with a more single-family character be located on the westerly side of the site, transitioning to a higher density pattern overlooking the Savanna.”

Due to the lot size and site constraints, it may be difficult to build a market rate building based on economies of scale. Therefore, Table 45 presents the recommended unit mix and monthly rents for a newly constructed affordable rental building and/or townhomes. The recommended rents are quoted in 2012 dollars and can be trended upward by 2% annually prior to occupancy to account for inflation depending on overall market conditions.

TABLE 45 RECOMMENDED DEVELOPMENT CONCEPT MAPLEWOOD MARINE SITE October 2012				
Unit Type	-- Unit Mix -- No.	Monthly Rent*	Gross Unit Size (Sq. Ft.)	Price/ Sq. Ft.
General Occupancy Affordable Apartments				
1BR	5 - 6	\$700 - \$750	650 - 700	\$1.08 - \$1.07
2BR	29 - 39	\$850 - \$900	950 - 1,050	\$0.89 - \$0.86
3BR	11 - 15	\$1,000 - \$1,050	1,150 - 1,200	\$0.87 - \$0.88
TOTAL	45 - 70	Weighted Average =		\$0.90
General Occupancy Affordable Townhomes				
2BR	29 - 39	\$950 - \$1,050	1,050 - 1,200	\$0.90 - \$0.88
3BR	11 - 15	\$1,100 - \$1,200	1,250 - 1,350	\$0.88 - \$0.89
TOTAL	45 - 70	Weighted Average =		\$0.79
* Monthly rents are quoted in 2012 and can be trended upward by 2.0% annually to occupancy.				
Source: Maxfield Research Inc.				

### ***North of Frost Avenue, West of Maplewood Lanes***

The next recommended redevelopment area is an assemblage of parcels along the north side of Frost Avenue and west of Maplewood Lanes. It can accommodate a higher density with about 100 to 150 units in three- to four-story buildings. We suggest a market rate development so that it would not compete with the rental development on the Maplewood Marine site. Table 46 presents the recommended unit mix and monthly rents for a newly constructed market rate rental building. The recommended rents are quoted in 2012 dollars and can be trended upward by 2% annually prior to occupancy to account for inflation depending on overall market conditions.

TABLE 46 RECOMMENDED DEVELOPMENT CONCEPT WEST OF MAPLEWOOD LANES SITE October 2012				
Unit Type	-- Unit Mix -- No.	Monthly Rent*	Gross Unit Size (Sq. Ft.)	Price/ Sq. Ft.
General Occupancy Market Rate				
1BR	24 - 37	\$950 - \$975	650 - 700	\$1.46 - \$1.39
1BR/D	20 - 30	\$1,050 - \$1,150	800 - 900	\$1.31 - \$1.28
2BR	36 - 53	\$1,150 - \$1,350	950 - 1,050	\$1.21 - \$1.29
3BR	20 - 30	\$1,400 - \$1,500	1,150 - 1,200	\$1.22 - \$1.25
TOTAL	100 - 150	Weighted Average =		\$1.30
* Monthly rents are quoted in 2012 and can be trended upward by 2.0% annually to occupancy.				
Source: Maxfield Research Inc.				

### ***Maplewood Lanes***

The bowling alley currently serves as a destination center for the neighborhood and can serve as an anchor tenant to support more commercial uses. The master plan envisions an underground bowling alley with retail and housing above ground. We believe that this may be too costly to be completed. Rather, we recommend the bowling alley remain on site and allow for infill development around the bowling alley. Maplewood Wine Cellar would most likely have to be removed to accommodate retail, restaurant or office uses on site. However, they could relocate in the new space, if they desire.

### ***Moose Lodge***

Mid- to long-term potential exists for a combination of residential and commercial development on the Moose Lodge site. One possibility is a combination of the existing Lodge use with an active adult senior housing component, if the Lodge wants to remain and would be interested in renovating/upgrading their space.

### ***Frost Avenue East***

Frost Avenue East includes the parcels east of the Bruce Vento Trail including the Heritage Liquor, Maplewood Bakery building as well as Richard's Market, and Mike's LP Gas. This area should have mixed uses with first floor retail and residential uses above. Although several of the existing businesses would be compatible in the new mixed use buildings, the cost of redevelopment and increased rents may deter some businesses from staying. Retention efforts should be applied for businesses wanting to stay in the area.

***English Street South of Funeral Home***

This redevelopment area includes the mobile home park, overflow parking lot for the funeral home, and outdoor storage and Heritage Glass Company site. Development could consist of rowhomes and/or townhomes. Approximately 50 to 75 units could be accommodated on this site.

As we understand, the overflow parking lot for the funeral home is owned by the Ramsey County Regional Rail Authority and may be reserved for a potential light rail stop or another associated use with the Rush Line. It may take many years to determine whether the Bruce Vento Trail will be the Locally Preferred Route for the Rush Line and even longer for implementation. As a result, it may be difficult to assemble parcels until further notice. If the Rush Line is constructed, this redevelopment area would better accommodate higher density retail or mixed uses.

We do not include the funeral home in this redevelopment area. It provides a need for the Southeast Asian population and there will most likely be resistance to sell and relocate.

TABLE 47			
GLADSTONE AREA REDEVELOPMENT TIMING			
October 2012			
Site	Current Use	New Use	Timing
Maplewood Marine	Maplewood Marine and boat storage and undeveloped parcel in the northwest corner of the Gladstone Savanna	45 to 60 units of market rate or affordable rental housing units.	1 to 3 years
North of Frost Avenue, West of Maplewood Lanes	Auto-related uses, including repair, and car wash	100 to 150 rental multifamily units	3 to 5 years
Maplewood Lanes	Bowling alley and liquor and wine store	Infill of retail and restaurant use surrounding bowling alley	5 to 10 years
Moose Lodge	Moose Lodge 963	Senior housing with potential retail	10 to 20 years
Frost Avenue East	Heritage Liquor, Maplewood Bakery, Richard's Market, Mike's LP Gas	Mixed uses with retail on first floor and residential uses above	10 to 20 years
English Avenue South	mobile home park, overflow parking lot, outdoor storage	75 to 100 units of multifamily housing and townhomes	10 to 20 years
Source: Maxfield Research Inc.			

## Potential City Initiatives to Kick Start Redevelopment

### *Land Banking/Land Acquisition*

Land Banking is a program of acquiring land with the purpose of developing at a later date. After a holding period, the land can be sold to a developer (often at a price lower than market) with the purpose of developing housing. The City should consider establishing a land bank to which private land may be donated and public property may be held for future housing development.

### *Metropolitan Council – Livable Community Grants*

The Metropolitan Council provides funding through Livable Community Grants for urban-style developments that foster mixed-use, increased density and characteristics that support affordable and lifecycle housing needs and assists communities in meeting those needs. The grants providing funding in three areas:

- Clean up polluted land for redevelopment, new jobs and affordable housing
- Create development or redevelopment that demonstrates efficient use of land and infrastructure through connected development patterns
- Create affordable housing opportunities

Grant funds are distributed through selection of the project from applications submitted. In 2011, Livable Communities Grants in the total of the accounts exceeded \$200.0 million.

### *Tax-Increment Financing*

Tax-Increment Financing is a tool that has been used extensively in redevelopment scenarios to encourage the development of new property that requires assistance as the private market would not, on its own, move forward with development. Housing, parking structures, commercial space, public infrastructure and other components have all been the recipients of financing through tax increment means. Although the types of projects that are allowable under TIF rules has changed, projects that are undertaken as a result of the public good and have demonstrable goals in the revitalization of blighted areas. There have been some criticisms of TIF financing, but it has been widely used in Minnesota.

### *Private Foundations*

Some private foundations supply money to assist communities in attaining specific development objectives. Typically, money available through the foundations must address a specific need in the community such as providing affordable housing, addressing the special needs of residents or other specific issues. This assistance is also often extremely competitive and limited in amount.

***Façade Improvement Loan Program***

The City could initiate a Façade Improvement Loan Program within the Gladstone Area to provide incentives for existing businesses to upgrade the exterior appearance. Eligible improvements could include signs, paint, cleaning, awnings, materials, labor, entranceways, window repair, architectural assistance, graphic signage assistance, etc. Conditions of maximum loan amounts and repayment options would be determined by the City.